Sask trends monitor

Tracking economic, social, and demographic trends from a Saskatchewan perspective

Rural Businesses in Saskatchewan

Research Findings

prepared for the ACRE Business Committee
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Doug Elliott
Sask Trends Monitor
444 19th Avenue
Regina, Saskatchewan
S4N 1H1
Tel: 306-522-5515
Fax: 306-522-5838
Email: sasktrends@sasktel.net
Internet: www.sasktrends.ca

Data Sources

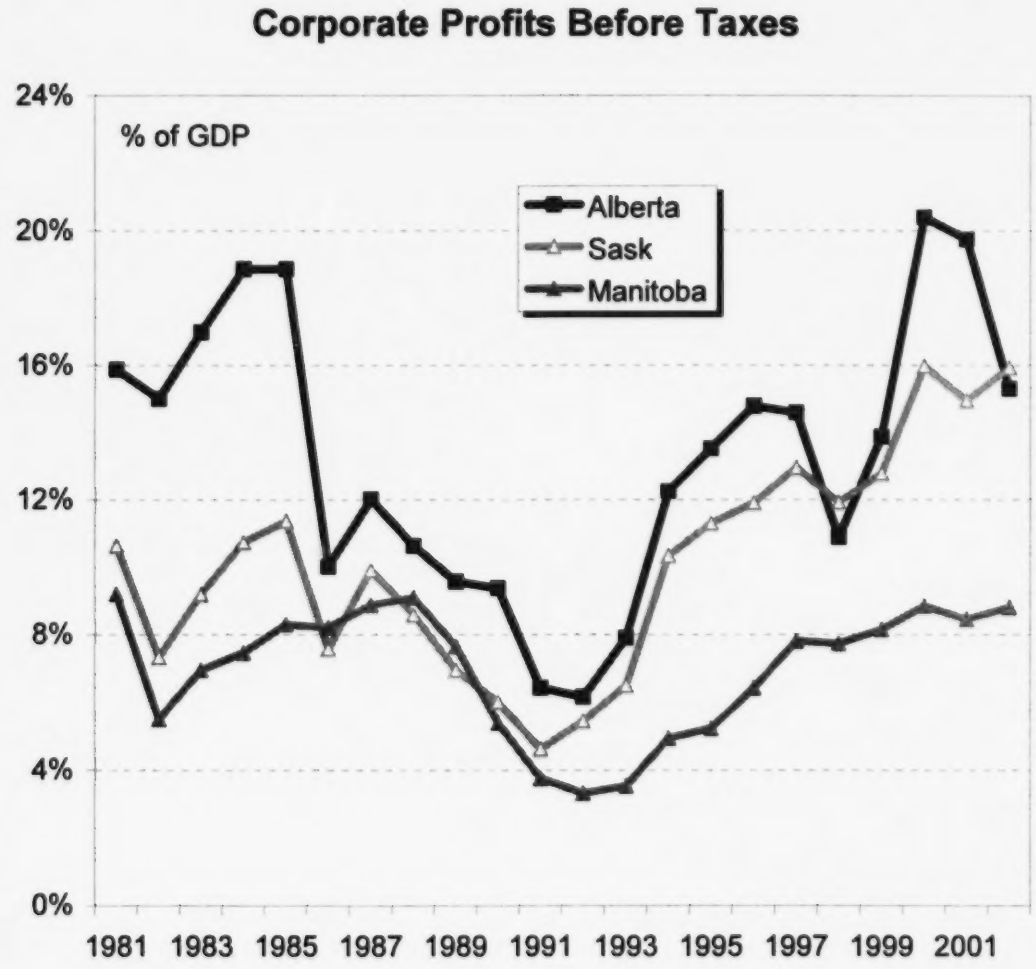
106-04348/

- Most of the economic statistics available (e.g. retail trade, wage rates, manufacturing shipments, farm cash receipts) describe business activity without talking about the businesses themselves.
- In fact, there is relatively little statistical information about the business community. Statistics Canada produces profiles by sector showing the number and characteristics of businesses in, for example, farm machinery manufacturing. This is limited largely to financial information and can't be broken down into rural and urban areas.
- Statistics Canada's Business Registry is the only available source about the number of businesses in **rural** Saskatchewan. The Business Registry has good detail but only for a few characteristics, namely:
  - location;
  - size (# of employees); and
  - industry category.
- The monthly Labour Force Survey (LFS) provides additional information about the people who are business owners. This information is available only at the **provincial** level.

Contents

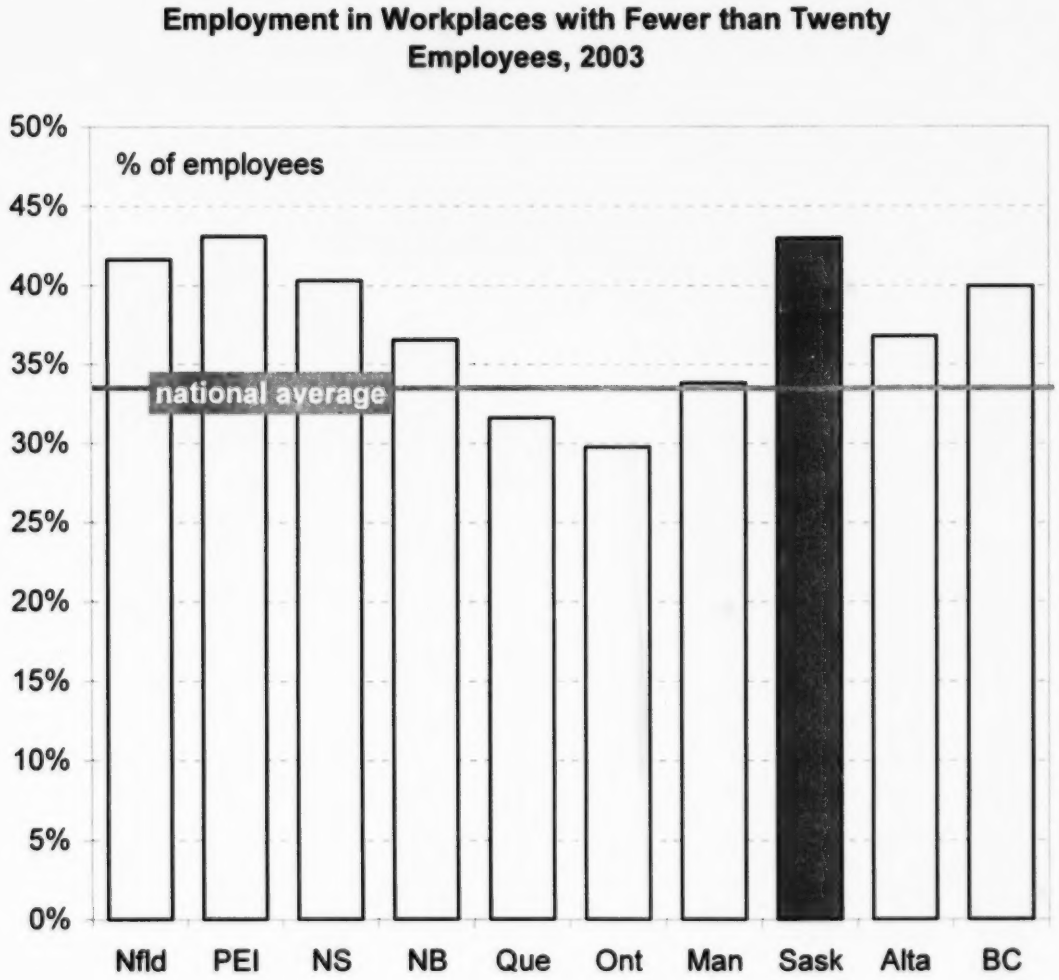
- General Context (province-wide)
  - corporate profits, employment by size of workplace and industry group
  - inter-provincial comparison
- Self Employment Statistics (province-wide)
  - characteristics of the self-employed from the Labour Force Survey
  - inter-provincial comparison
- Business Registry data (rural and urban Saskatchewan)
  - characteristics by industry
  - location of rural business establishments
- Case Study: Food/Feed Processors (rural and urban Saskatchewan)
- Business Turnover Sample (province-wide)

Context: Corporate Profits



- Corporate profits in Saskatchewan (from the provincial economic accounts) tend to track the national economy.
- Profits also seem to be higher in resource-based economies that have a high capital investment component.
- Corporations in Saskatchewan and Alberta consistently record higher profits than those in Manitoba.

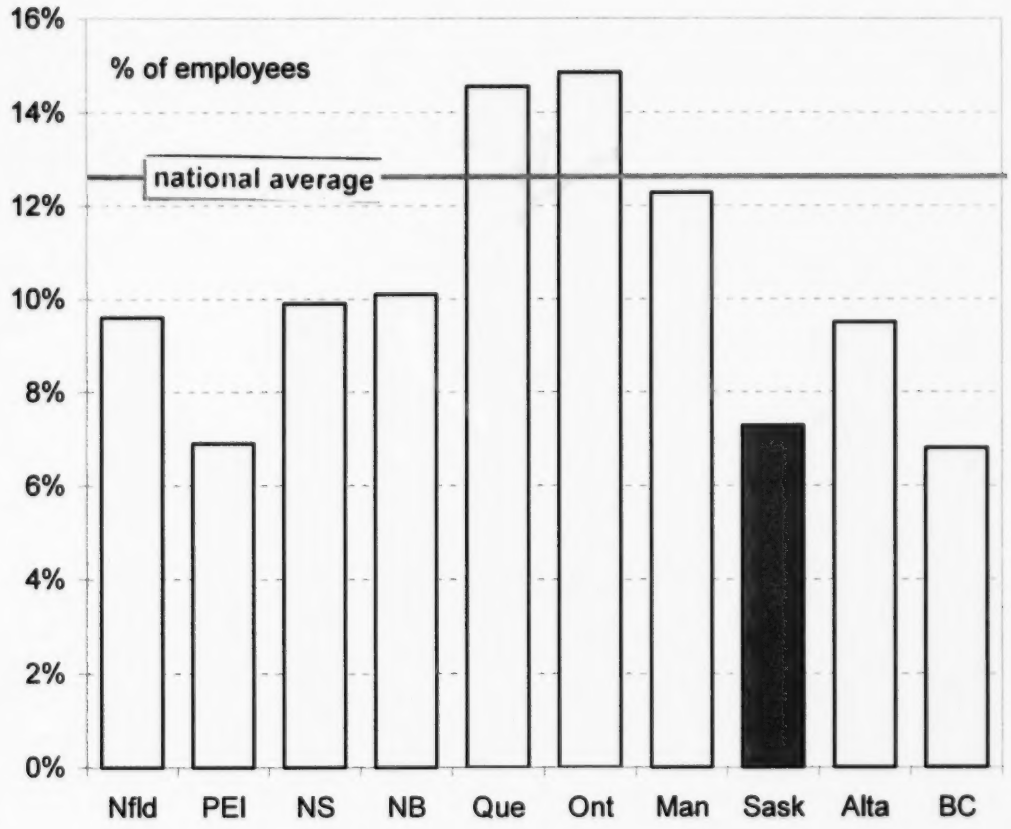
Context: Employment by Workplace Size



- The Labour Force Survey collects information about the number of employees (not including the self-employed) by size of "workplace".
- Note that we are measuring the size at the plant/building level. Large businesses may have employees in a number of establishments at different locations.
- As a percentage of total employment, Saskatchewan has the highest proportion of employees who work where there are fewer than 20 employees.

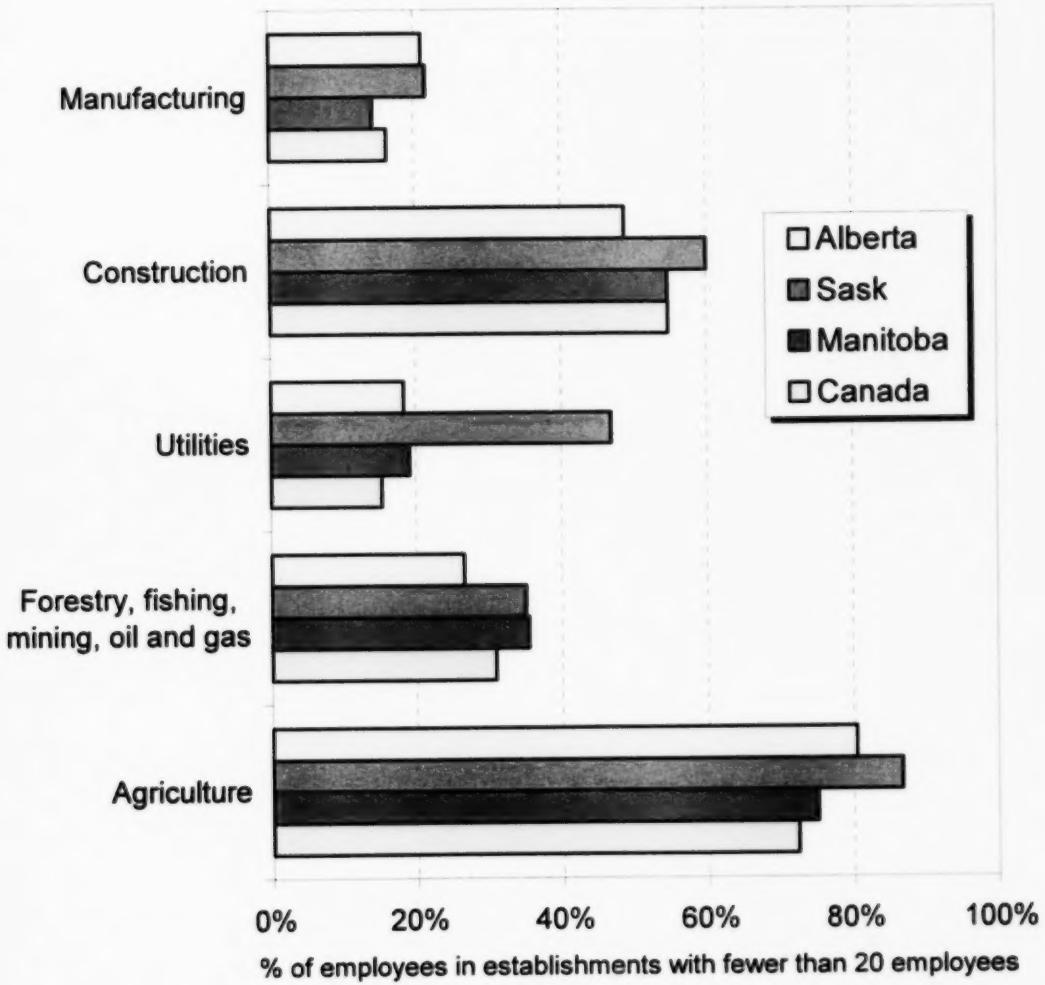
Context: Employment by Workplace Size

Employment in Workplaces with More than Five Hundred Employees, 2003



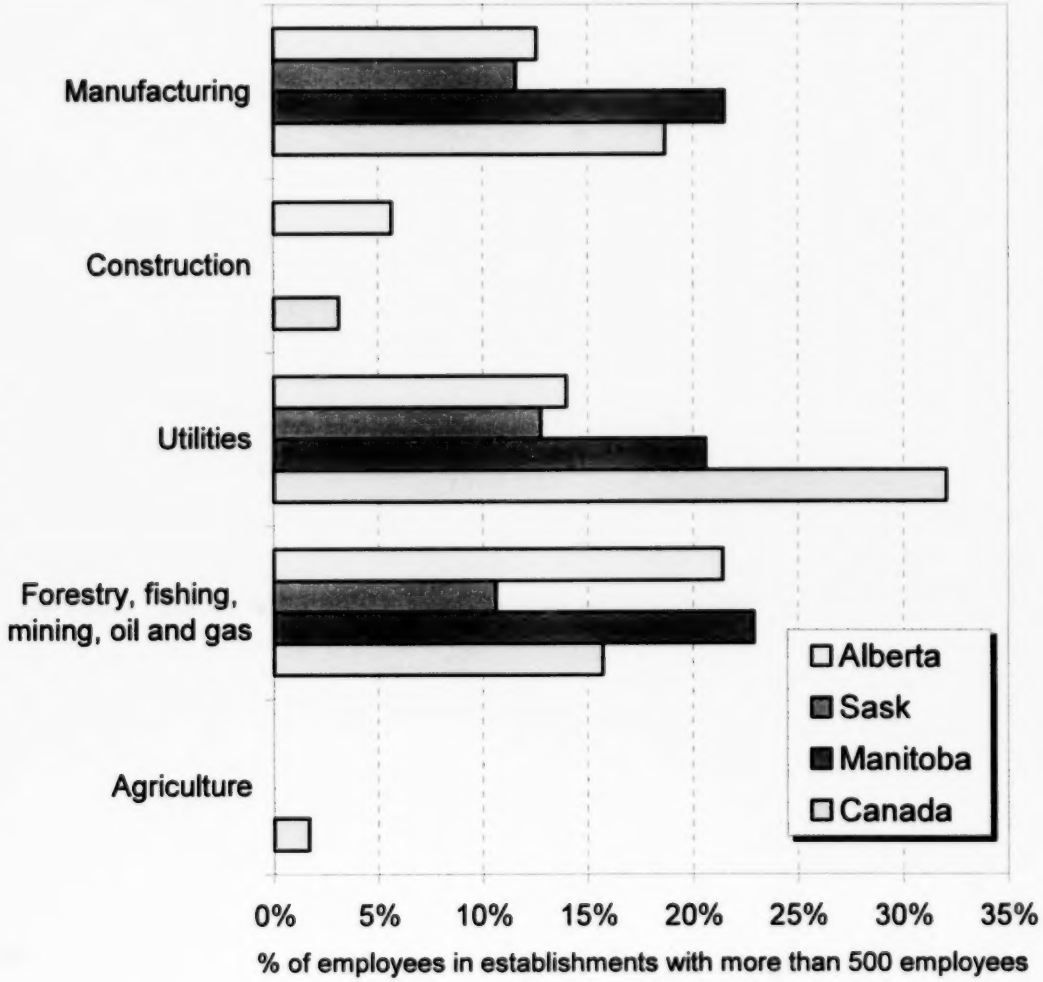
- At the other end of the scale, Saskatchewan has one of the lowest proportion working in very large workplaces.
- Some of this is population driven - Quebec and Ontario, for example.
- Some is not related to population - B.C. and Manitoba, for example.

Small Business Employment - Goods Producing Industries



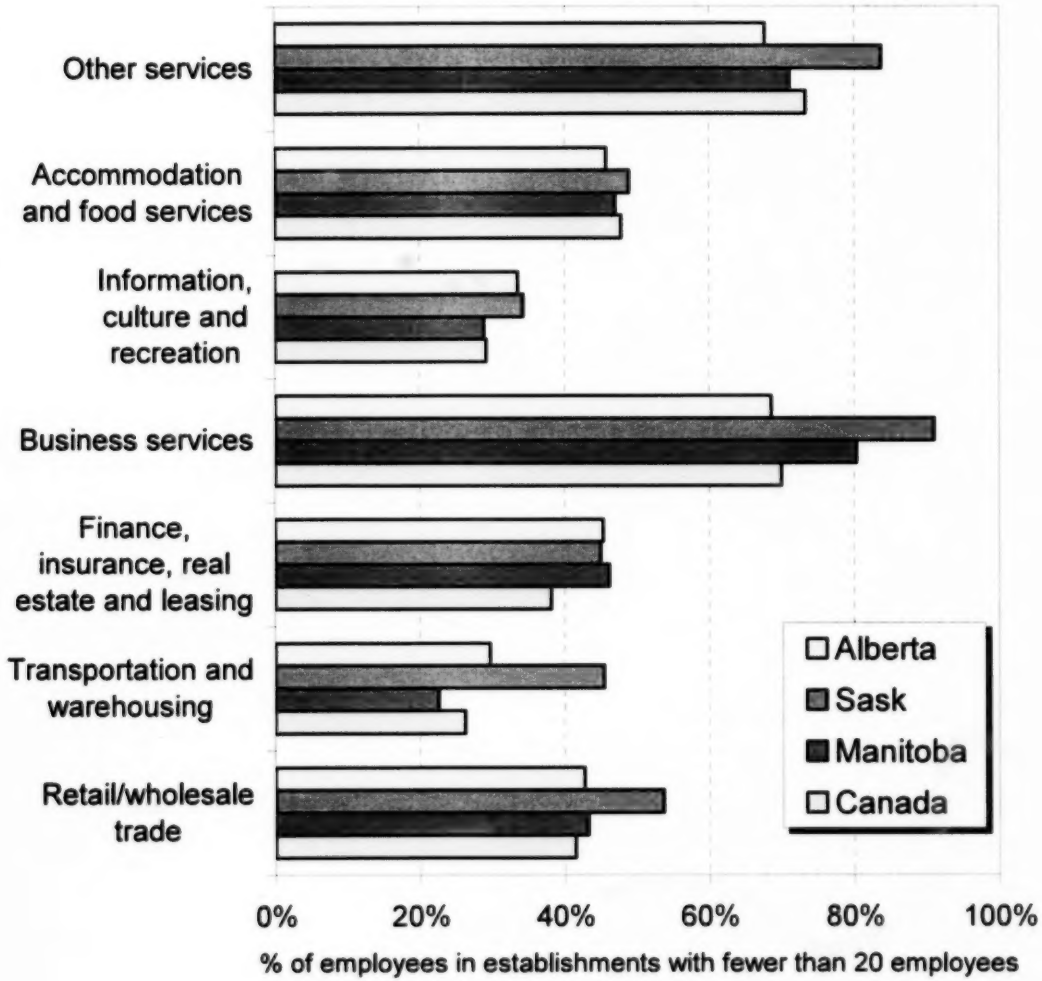
- Compared with our neighbours, a similar proportion of Saskatchewan employees work in small businesses in most of the goods producing industries.
- Utilities is the exception - probably because of a large number of Sask Power and Sask Energy employees in small town service centres.

Large Business Employment - Goods Producing Industries



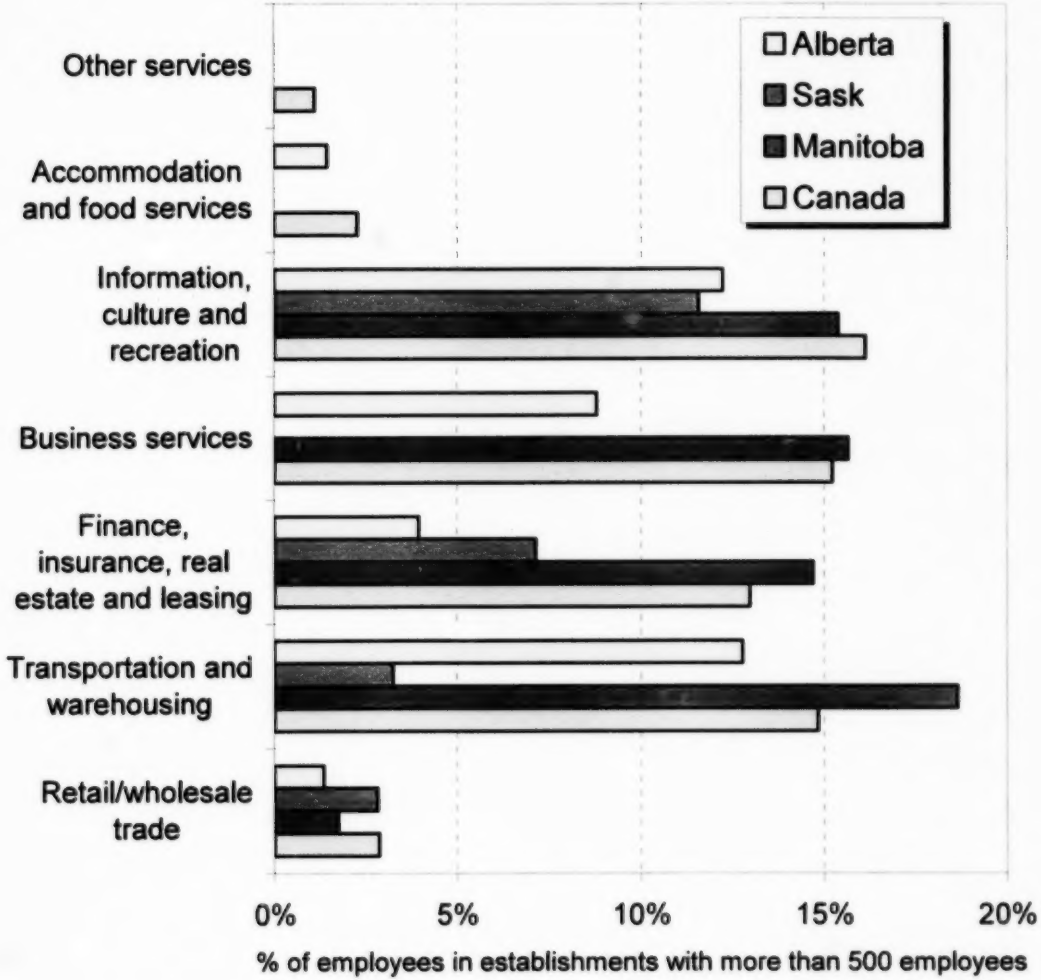
- The proportion of employment that is in very large manufacturing and utility workplaces is similar in Saskatchewan and Alberta but higher in Manitoba.
- Only Alberta has large construction firms.
- Employment in large Saskatchewan resource establishments is relatively rare.

Small Business Employment - Private Sector Service Industries



- A preponderance of Saskatchewan employees in small workplaces is evident in:
  - business services (e.g. legal, accounting, consulting, engineering);
  - transportation; and
  - retail/wholesale trade.

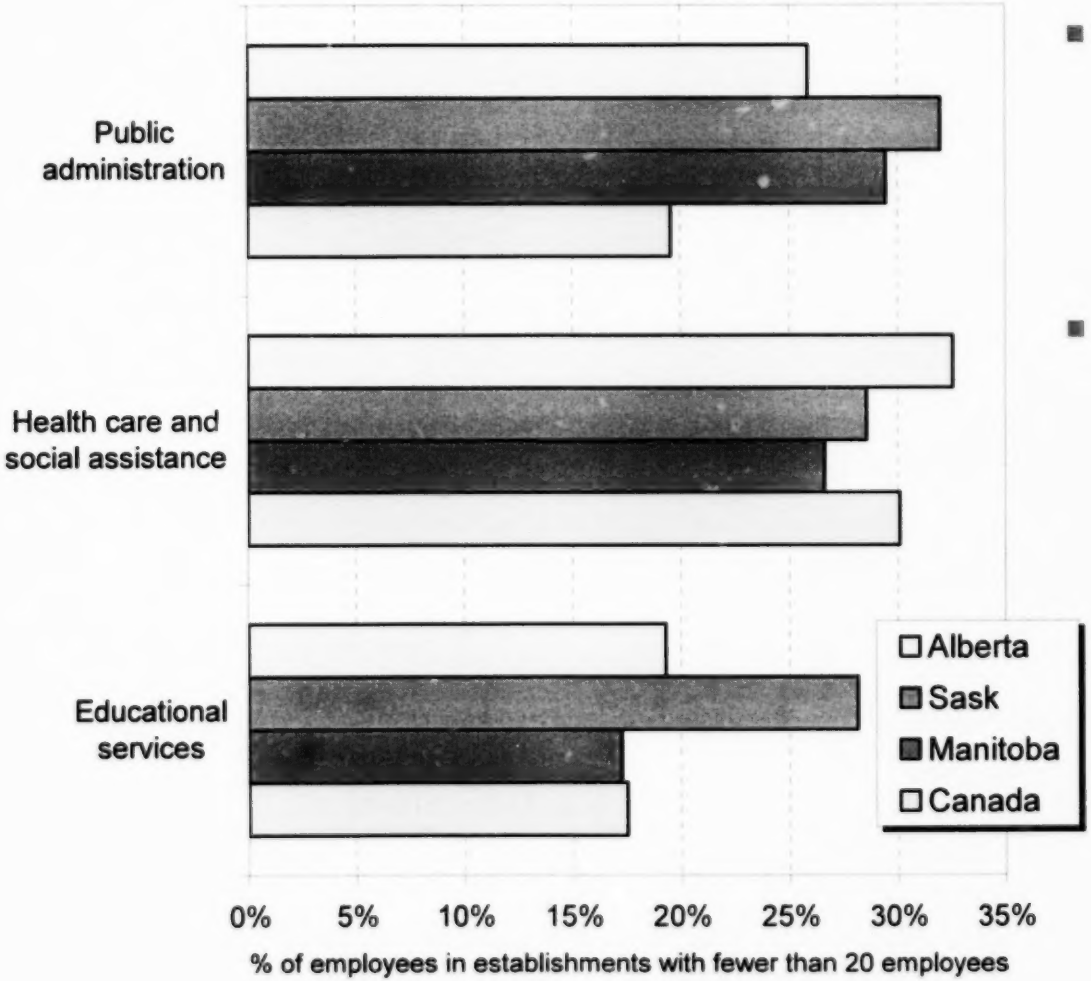
Large Business Employment - Private Sector Service Industries



- Saskatchewan has relatively few or no very large employers in:
  - business services;
  - transportation and warehousing.
- The banking and insurance industry in Manitoba is comprised of large establishments.

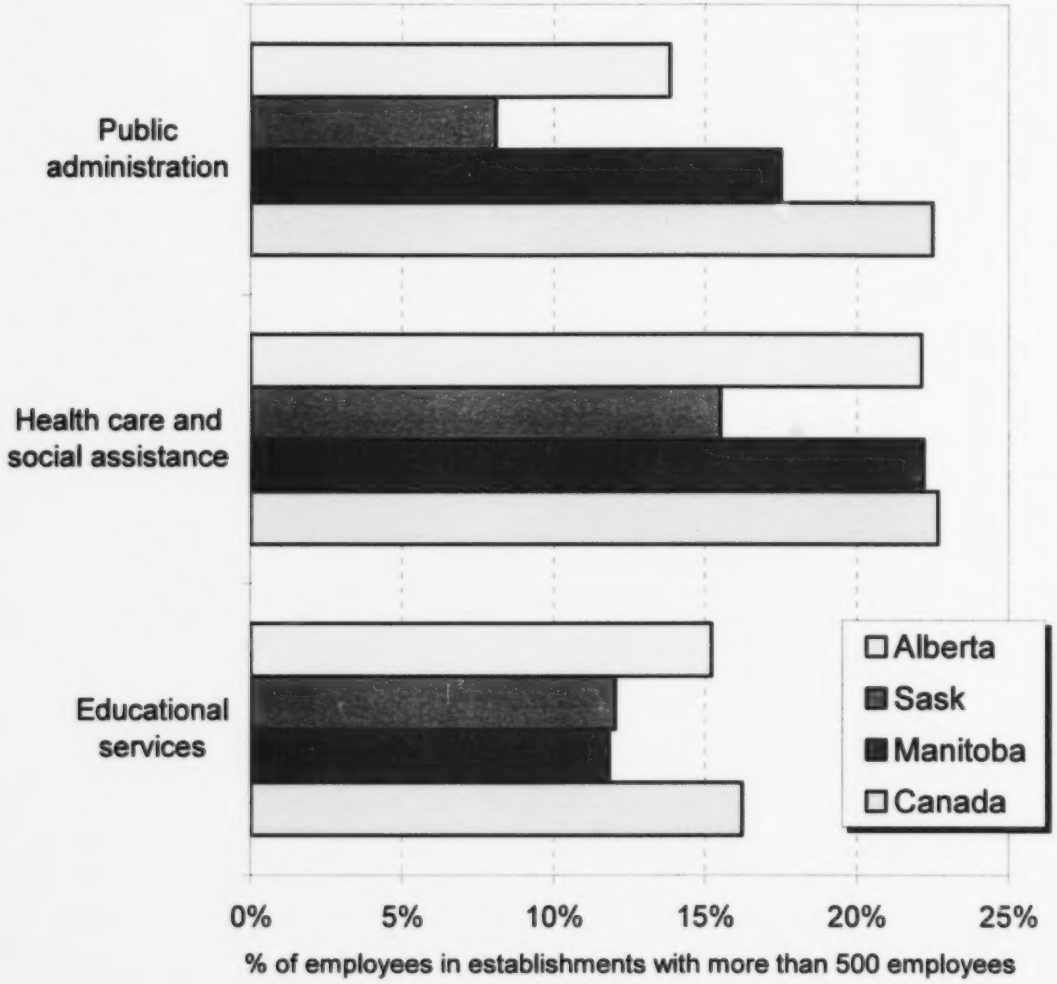
(The relatively high share in the information, culture, recreation group is probably SaskTel.)

Small Business Employment - Public Sector Service Industries



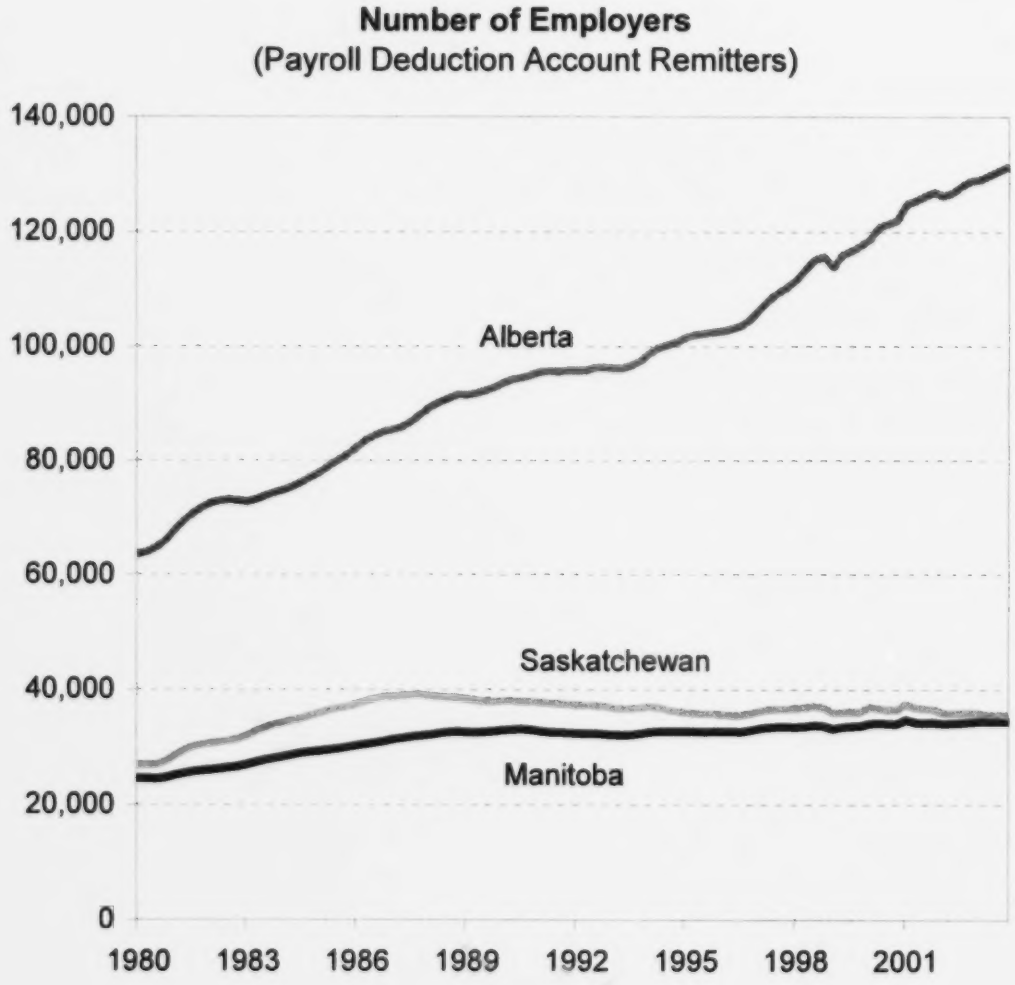
- Saskatchewan has more employment in small schools and other educational institutions than either Manitoba or Alberta.
- Government administration and health care tend to be similar.

Large Business Employment - Public Sector Service Industries



- Saskatchewan has fewer employees in large government organizations (probably the result of smaller city administrations).
- The province also has relatively few large hospitals/special care homes.

Context: Payroll Deduction Remitters (i.e. Employers)



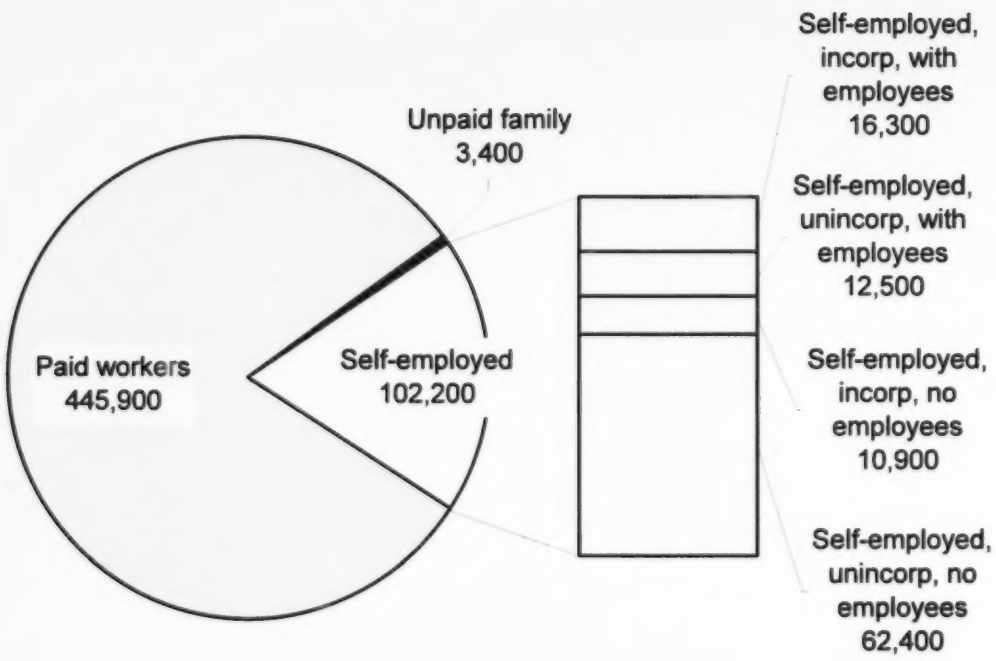
- This is a basic count of the number of organizations that submit monthly or quarterly T4 records to the Canada Customs and Revenue Agency.
- Some but not all self-employed individuals will be counted, depending on whether or not they pay themselves a salary.
- The number seems to be correlated with population and economic growth.

Business Owners

...information from the Labour Force Survey about the self-employed

Class of Worker - Saskatchewan in 2003

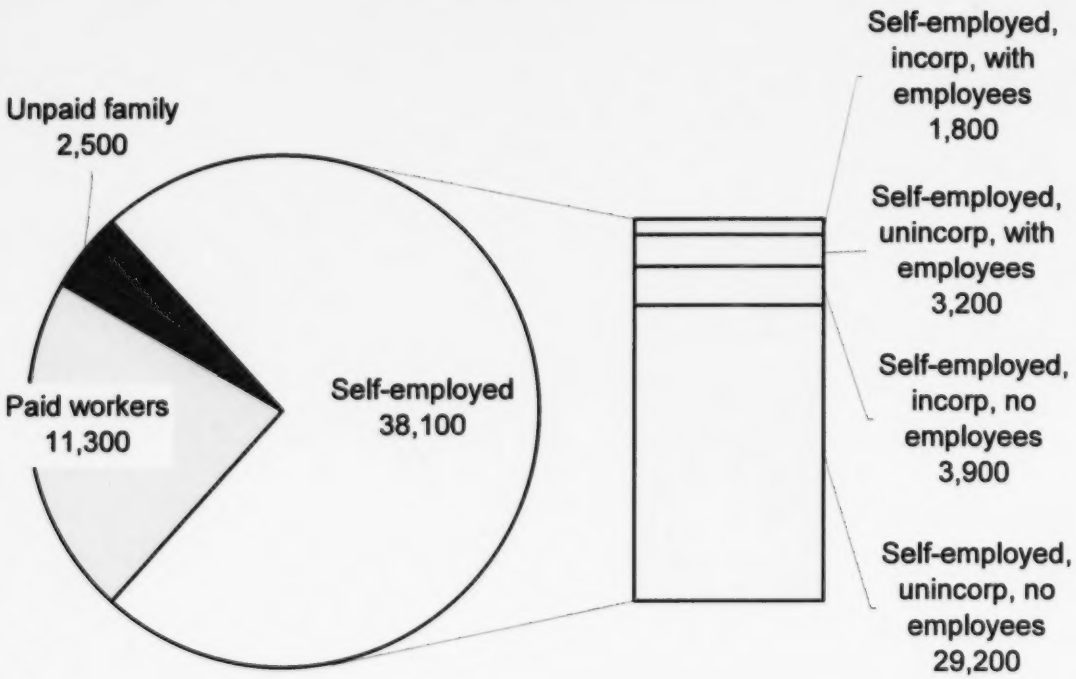
Class of Worker, Saskatchewan, 2003



- The LFS classifies respondents into one of seven categories. (Paid workers are split into private and public sectors.)
- "Paid employees" are those who work for someone else. "Unpaid family workers" can be considered as either paid or self-employed.
- The "self-employed" are further classified into those with and without employees and whether or not they are incorporated.
- There is a grey area for incorporated business owners with no employees who pay themselves a salary. Are they employees or employers?

Class of Worker - Saskatchewan Agriculture in 2003

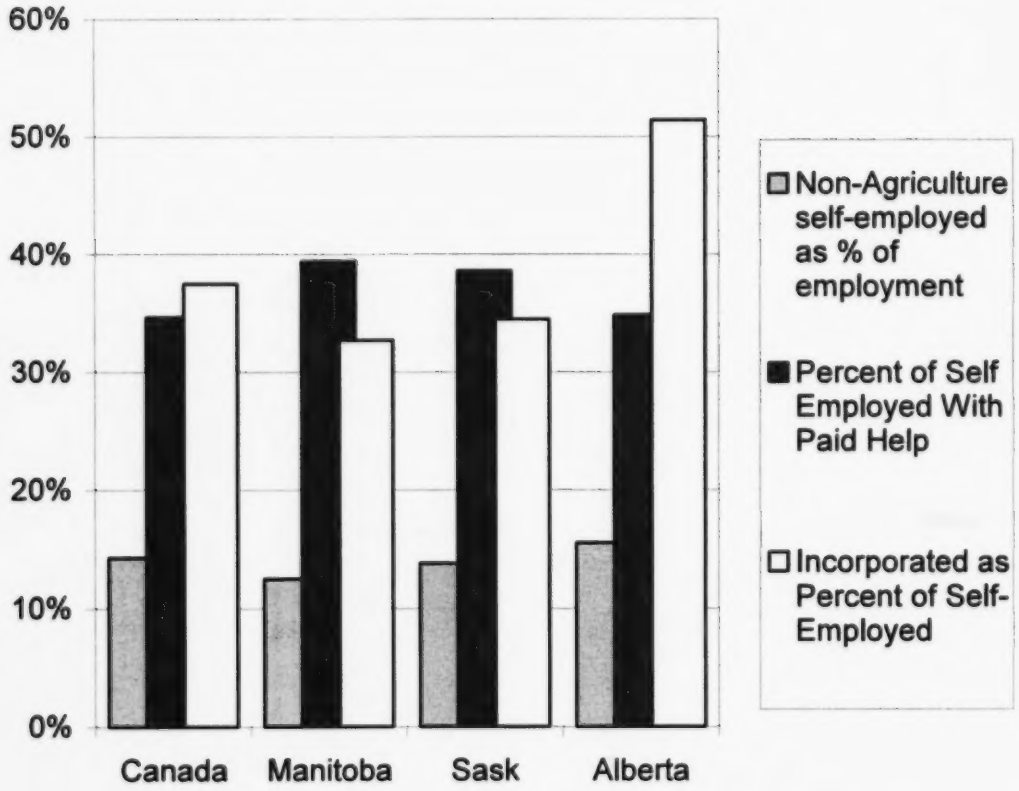
Class of Worker, Saskatchewan, 2003
Agriculture Only



- Those who report their main job as agriculture (52,000) are dominated by the self-employed.
- All but 5,000 of the self-employed have no employees and more than one half are unincorporated self-employed individuals.

Self-Employment - Inter-provincial Comparisons

Interprovincial Comparison of Self-Employment (2003)



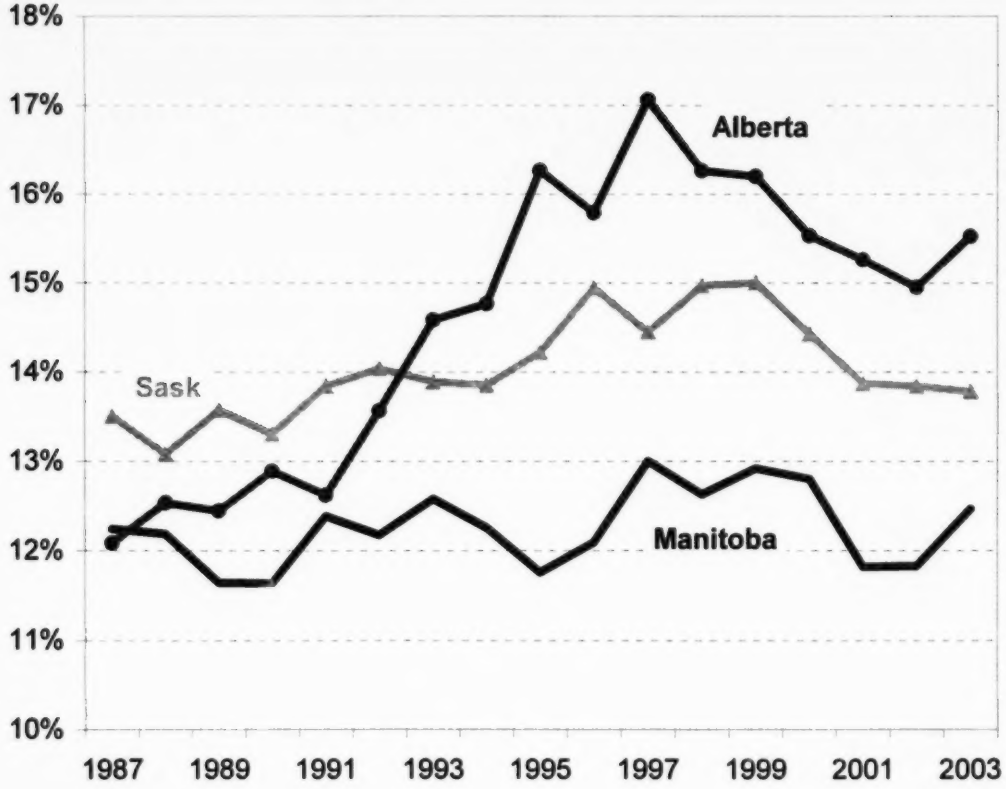
- Excluding agriculture, Alberta has relatively more self-employed than Saskatchewan or Manitoba but the difference is small (16% vs 14% for Sask and 12% for Manitoba).
- More of the self-employed in Manitoba and Saskatchewan have employees; fewer are incorporated.

Trends in the Class of Worker

- After a stagnant period in the early 1990s, the number of paid non-agricultural workers grew steadily from 1996 to 2003.
- The number of non-agricultural self-employed declined from 1999 to 2003 after growing strongly in the early 1990s.
- Almost one half of the decline in agriculture employees is among unpaid family workers. Many are now considering themselves as self-employed.

Inter-provincial Comparison of Trends

Self-Employment as Percent of Employment (excluding Agriculture)

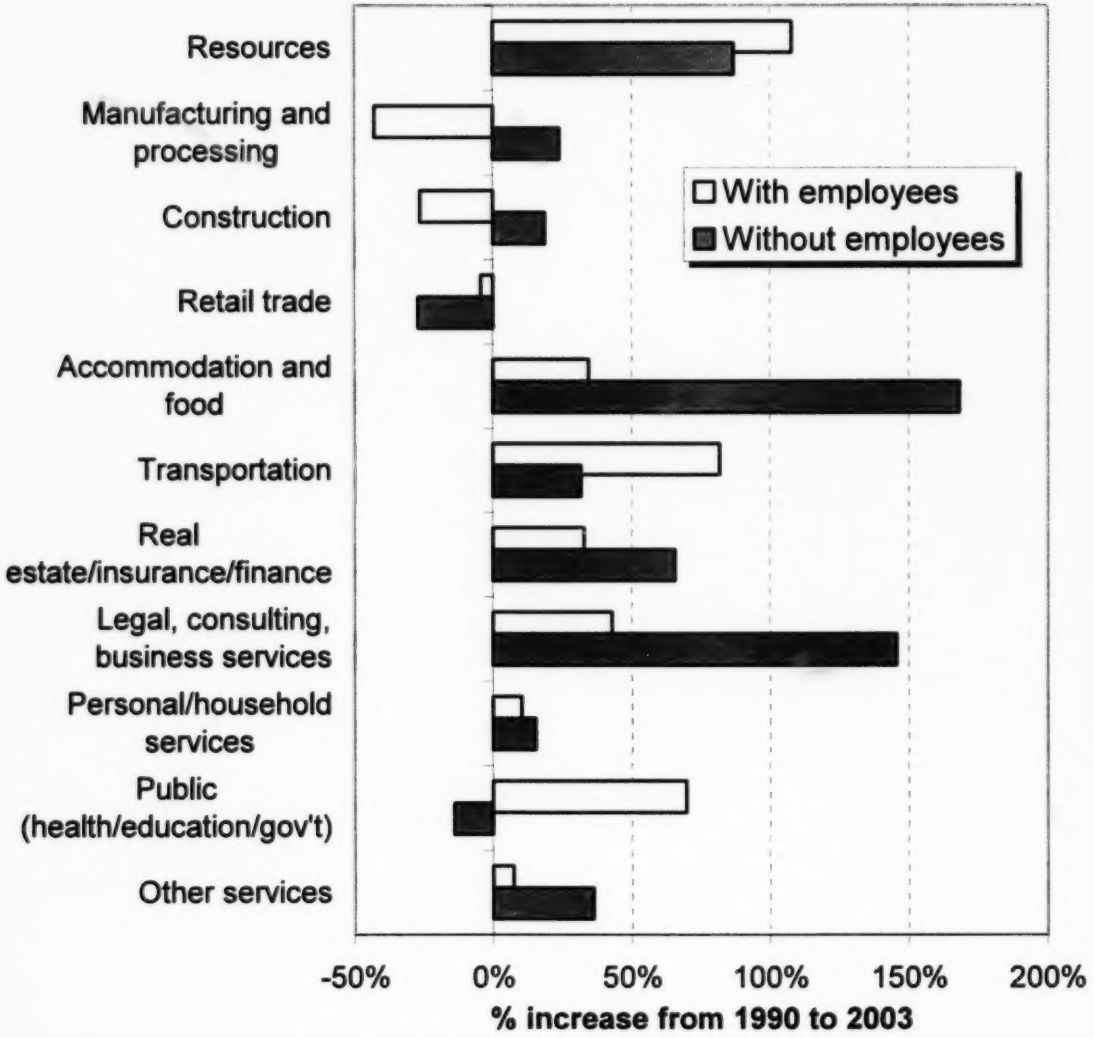


- The prevalence of self-employment in the late 1980s was similar across the prairie provinces. Since then Alberta has grown substantially.
- Saskatchewan has followed the Alberta pattern - increases to the mid 1990s followed by a decline.
- There has been little change in Manitoba.

Self-Employment - Industry Trends

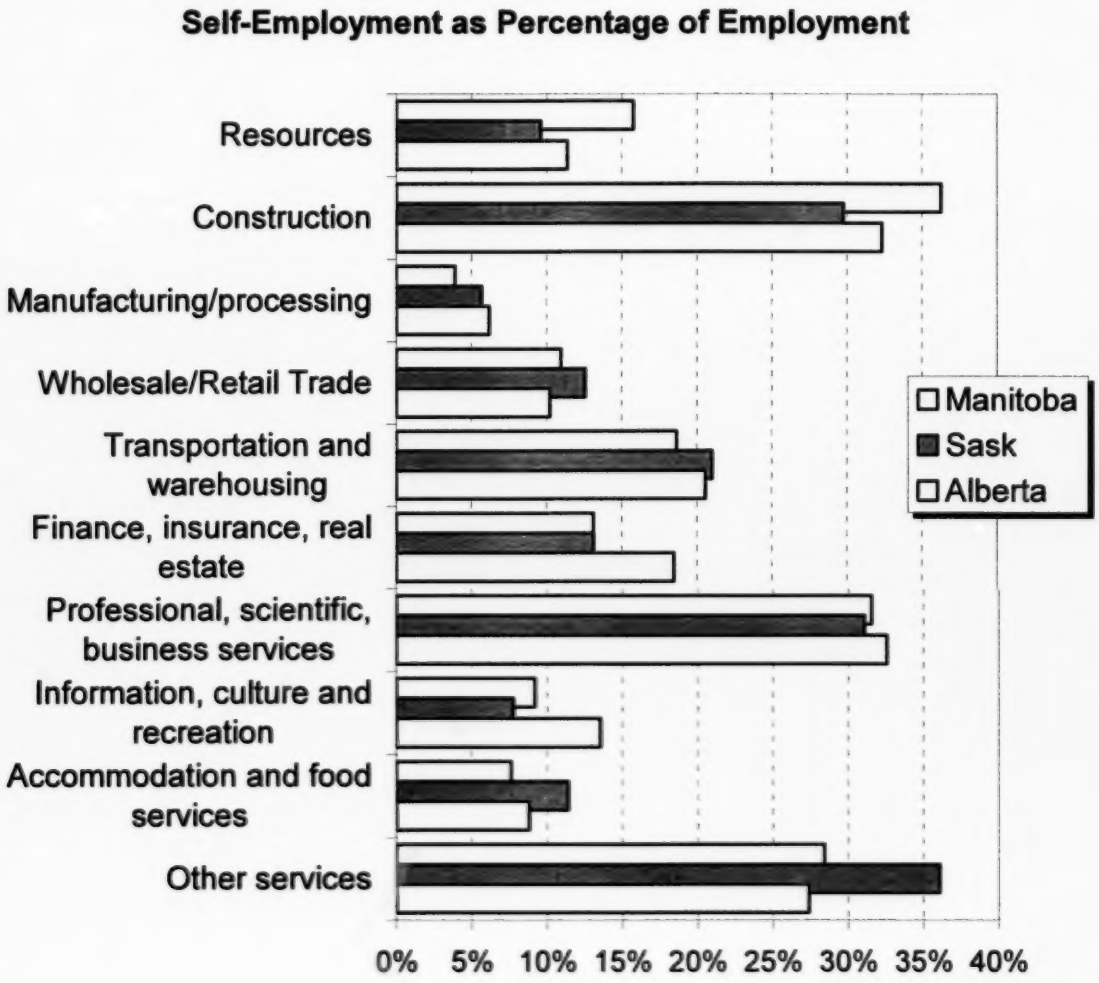
- The growth from 1990 to 1999 was largely the result of a 120% increase in the "legal/consulting/business services" group.
- Three sectors have grown steadily since 1990:
  - resources;
  - accommodation and food services; and
  - transportation.
- All but retail trade and the public sector (mostly physicians) have grown from 1990 to 2003.

Self-Employment - Industry Trends



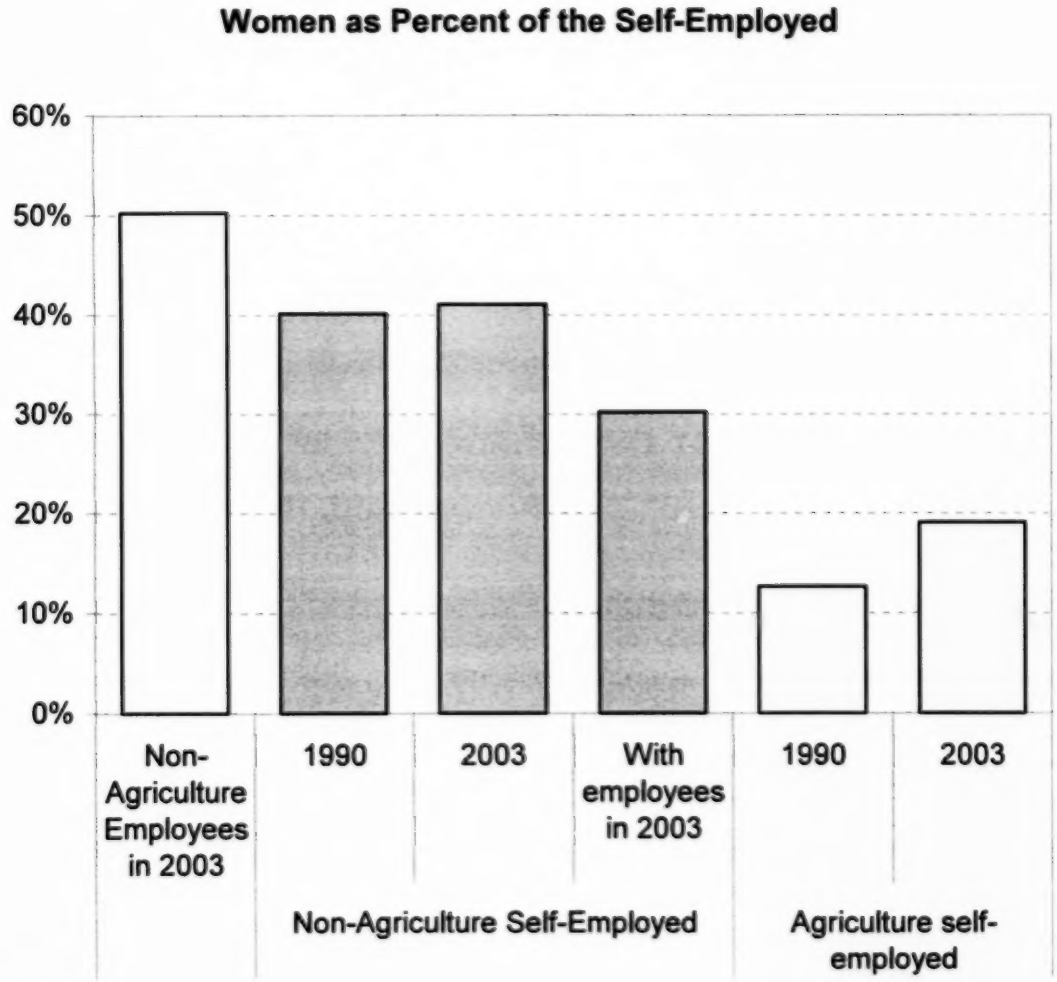
- In two sectors, the self-employed with employees are being replaced by those without employees:
  - manufacturing; and
  - construction.
- In several sectors, growth in those with employees is greater than those without:
  - resources;
  - transportation; and
  - the public sector.
- In the remaining industry groups, growth in those without employees is higher than the growth in those with employees.

Inter-provincial Comparison in 2003



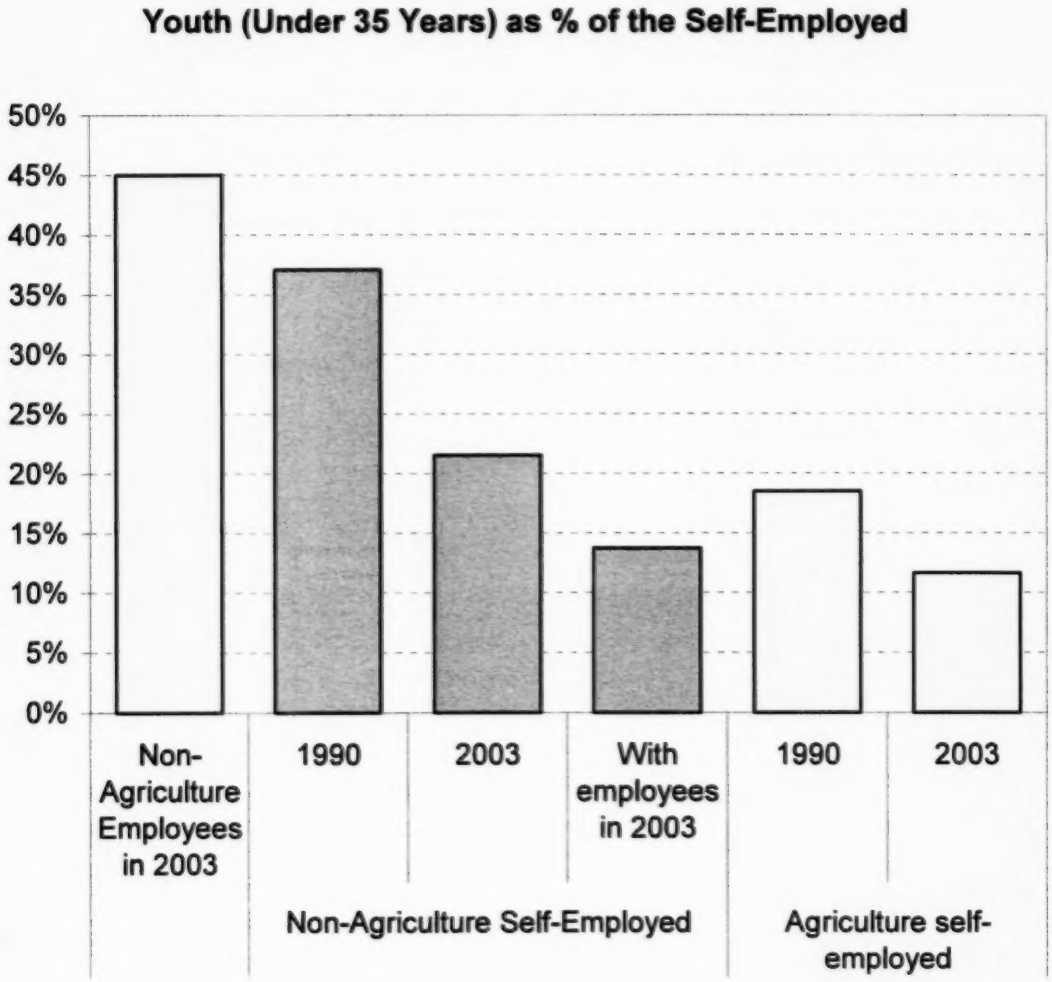
- Generally, the prevalence of self-employment in similar across the provinces.
- The "finance, insurance, real estate" group has a higher proportion of self-employed in Alberta.
- Saskatchewan has a higher proportion in the "other services" group.

Self-Employment in Saskatchewan - Gender



- Women are under-represented among the self-employed, particularly in agriculture.
- Women make up 40% of the non-agricultural self-employed, 30% of those with employees.
- The proportion in agriculture has increased from 13% to 19% since 1990.

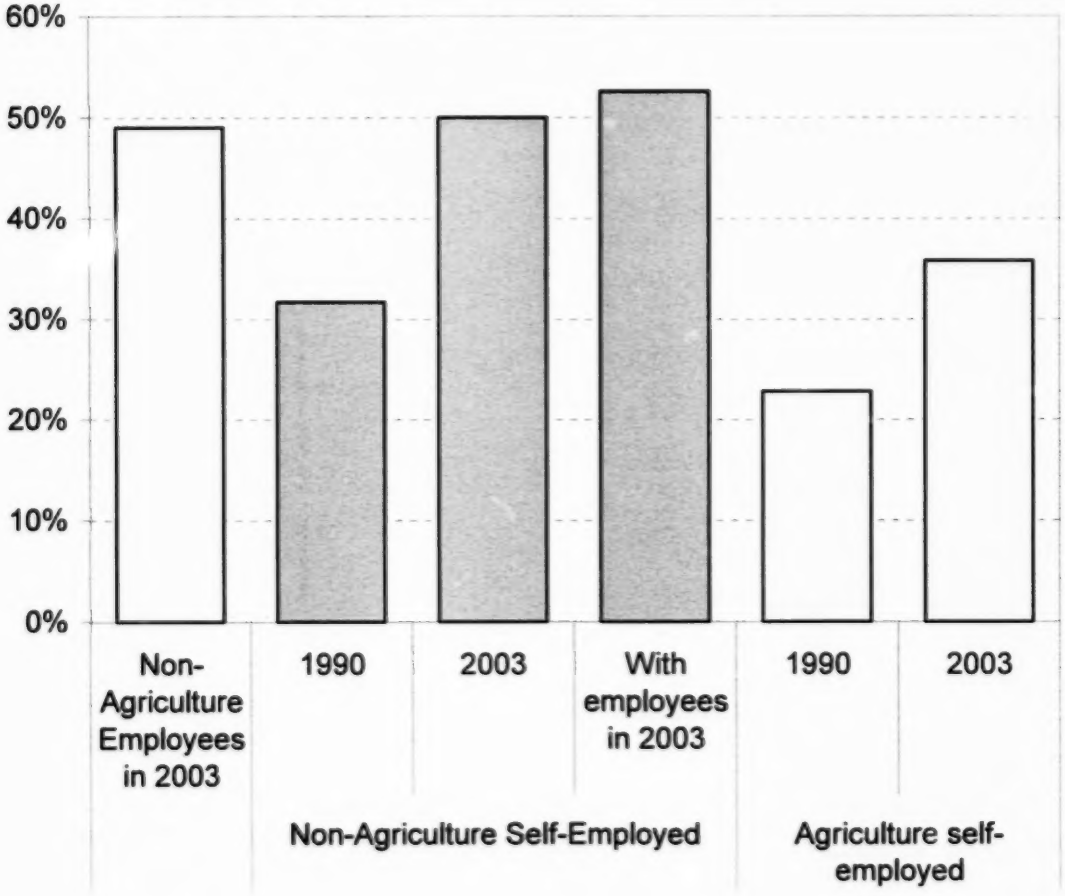
Self-Employment in Saskatchewan - Age Group



- Young people are also under-represented among the self-employed, particularly in agriculture.
- Those under 35 years of age make up 45% of employees but only 21% of the self-employed and 14% of the self-employed with employees.
- The proportion is dropping more quickly than the demographics of the population would indicate.

Self-Employment in Saskatchewan - Education

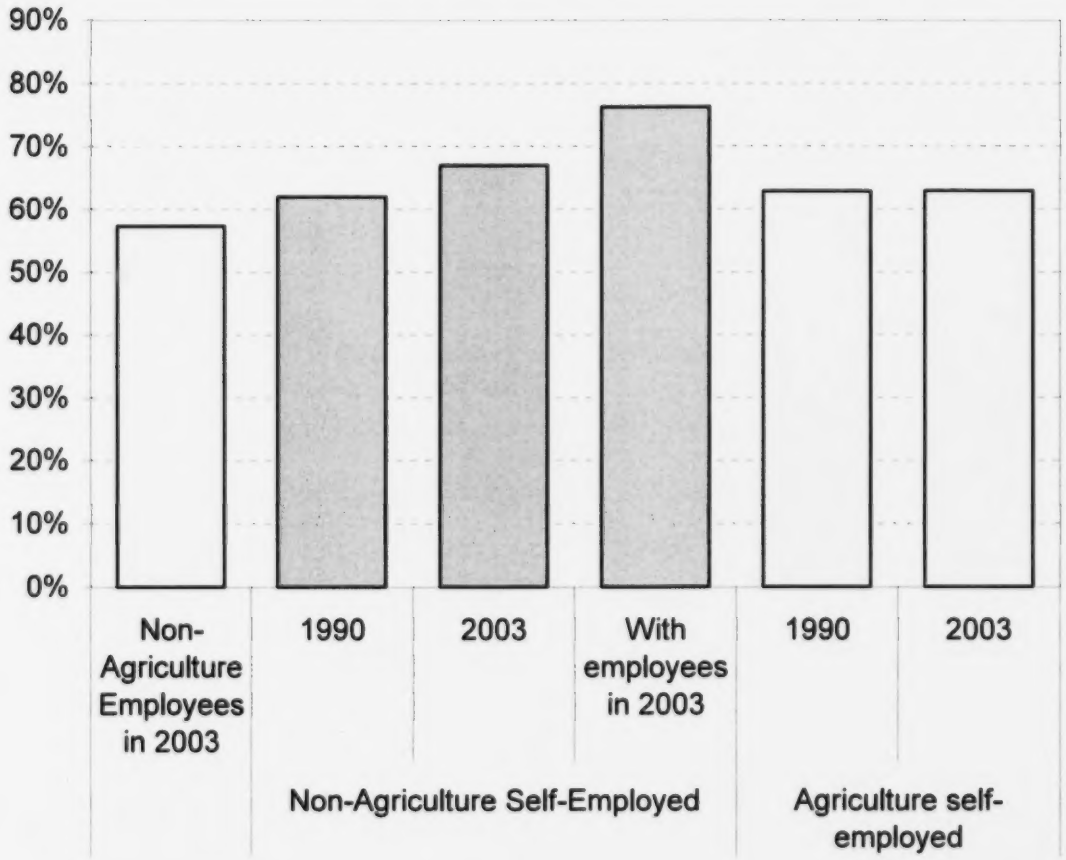
Post Secondary Graduates as % of the Self-Employed



- The level of completed education for the self-employed has increased from 1990 to 2003 more quickly than among employees.
- More than one half of the non-agriculture self-employed with employees have a post-secondary education.

Self-Employment in Saskatchewan - Family Structures

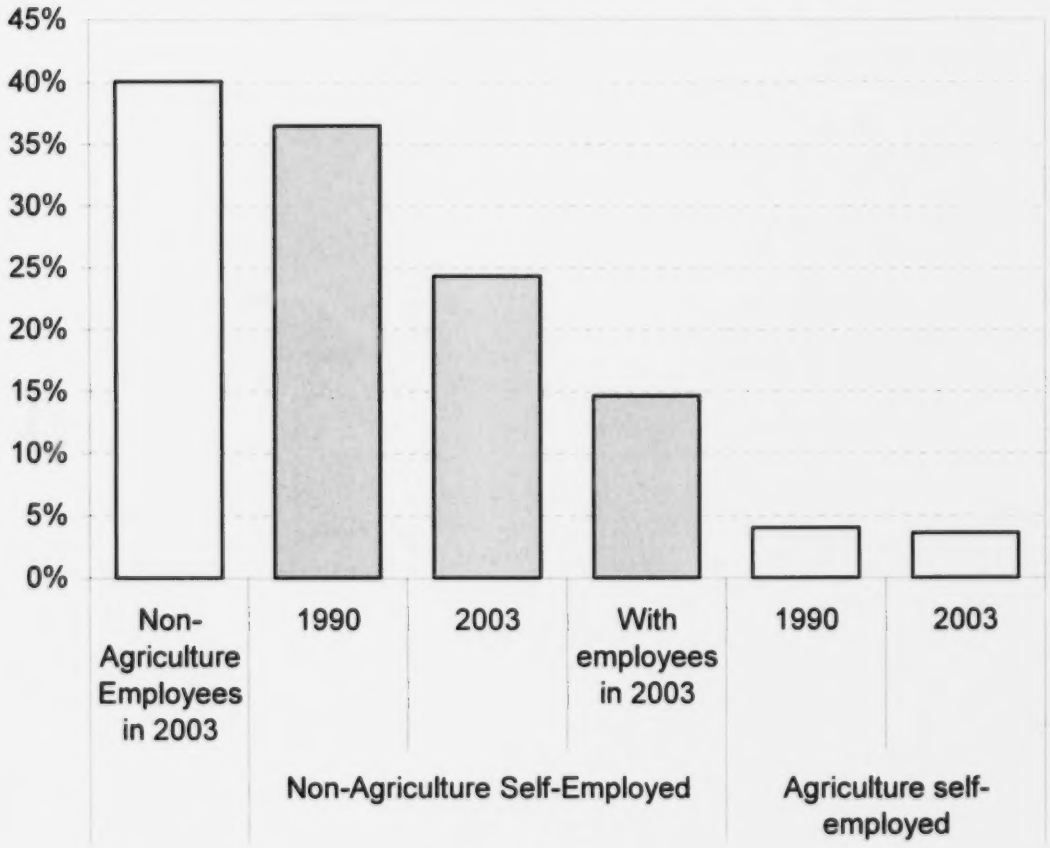
Persons Living in Two-Earner Families as % of the Self-Employed



- The self-employed are increasingly more likely to provide the second income in a two-income household.
- This is particularly true among those with employees, but not the cases as often in agriculture.

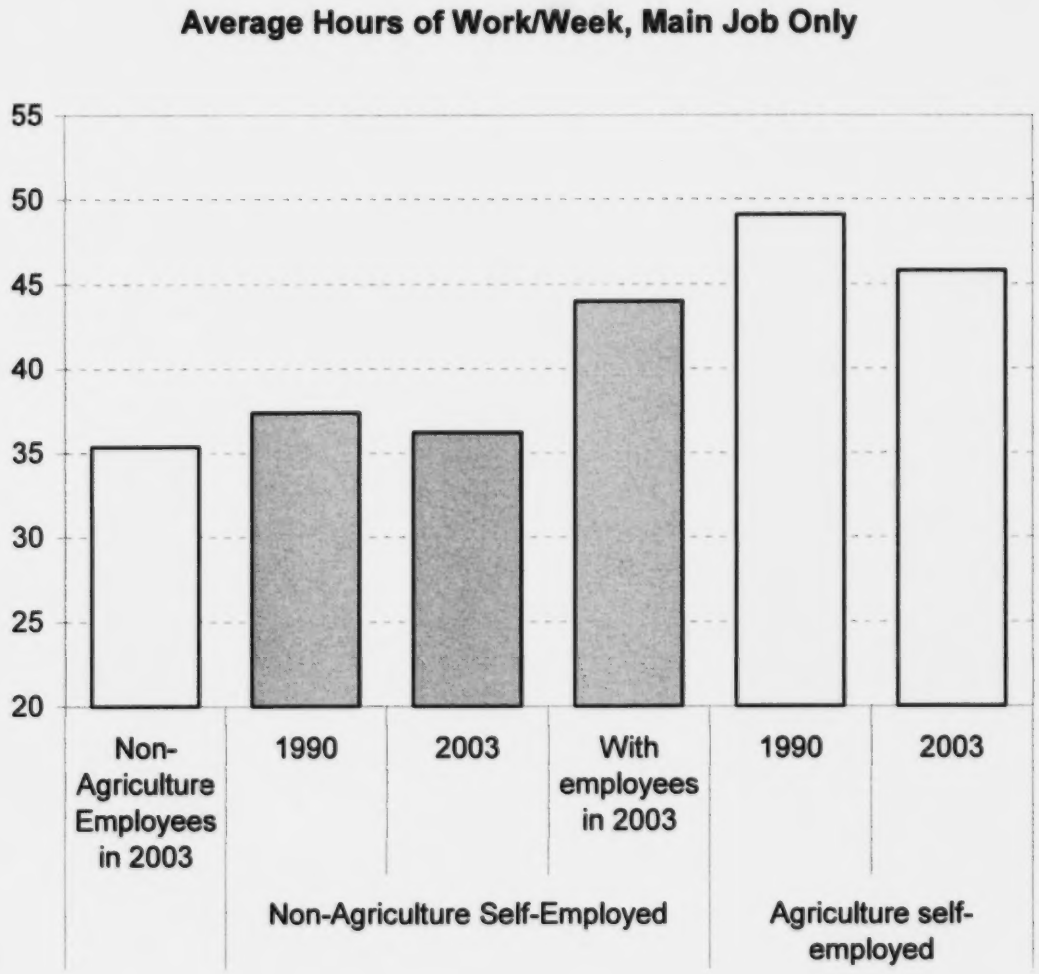
Self-Employment in Saskatchewan - Tenure

Percent of the Self-Employed in Business for Less than Three Years



- There are fewer of the self-employed who can be considered as "new entrants" in the sense that they have been in their current situation for less than three years.
- In 2003, 24% had been in business for three or fewer years compared with 36% in 1990.
- 8% of the non-agricultural self-employed are multiple job holders compared with 10% of those in agriculture.

Self-Employment in Saskatchewan - Hours of Work



- About one in five of the non-agricultural self-employed are classified as part-time, the same proportion as among employees.
- On average, only those with employees or in agriculture work long hours.

The Business Registry

Business Registry Database

- The business registry is a database of all business establishments in Canada. Statistics Canada maintains and updates it using their periodic surveys, and records from the Canada Customs and Revenue Agency. It is used as a frame for their business surveys.

- The BR includes incorporated and unincorporated businesses, commercial enterprises, religious and non-profit organizations, government departments and institutions. Excluded are unincorporated businesses with no employees and sales under $30K/year.

- An establishment is defined as an organizational unit (typically with a single Business Number), possibly with more than one location, that normally has control over payroll and production.

- Data are available semi-annually and include a good deal of detail about location (down to the community level) and industry group (over 300 industry categories) and an estimate of size (# of employees).

Number of Business Establishments in Saskatchewan

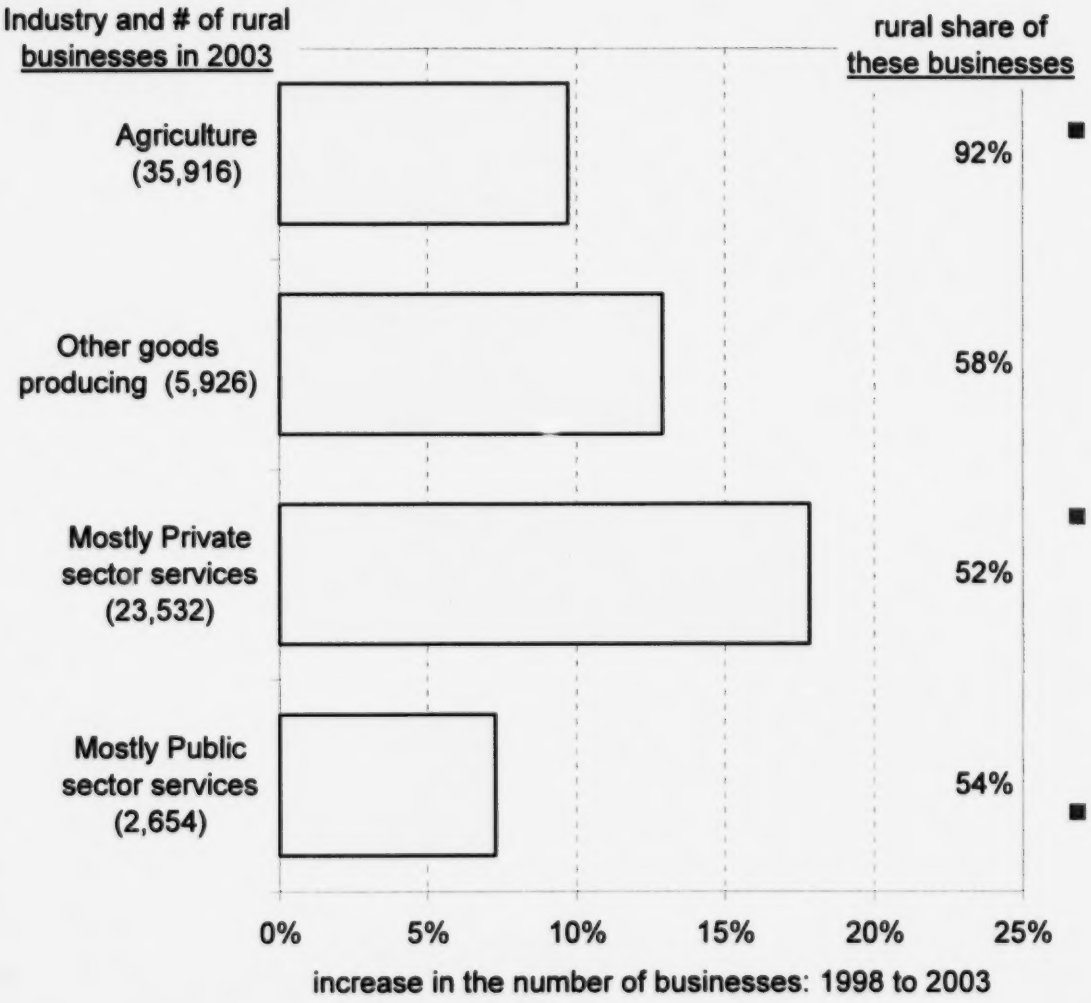
		Saskatchewan		Rural Sask*		Percent rural	
		1998	2003	1998	2003	1998	2003
All Businesses		**84,767**	**97,521**	**59,700**	**67,004**	**70%**	**69%**
Employers only	Under 5 employees	24,936	23,191	17,191	15,641	69%	67%
	5 to 9	7,633	7,398	4,468	4,234	59%	57%
	10 to 19	4,848	4,850	2,668	2,477	55%	51%
	20 to 49	2,607	3,037	1,275	1,380	49%	45%
	50 to 99	647	916	297	389	46%	42%
	100 to 199	336	378	152	158	45%	42%
	200 or more	212	290	61	118	29%	41%
	Total	**41,219**	**40,060**	**26,112**	**24,397**	**63%**	**61%**

*** excluding Regina, Saskatoon, their surrounding metropolitan areas, and the Far North**

- There were almost 100,000 business establishments in Saskatchewan at the end of 2003. One quarter were in the Regina and Saskatoon metropolitan areas.

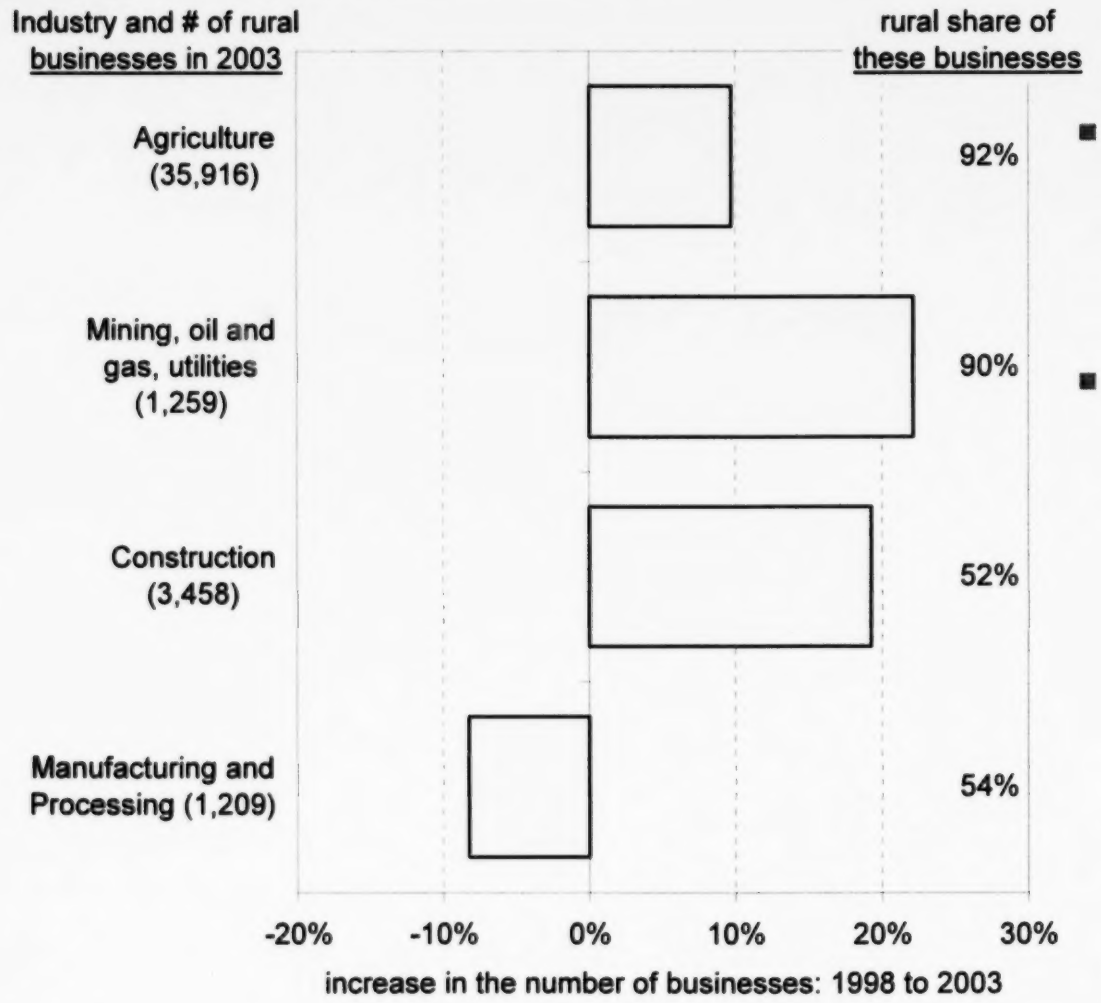
- Fewer than half of them (40,060) reported having employees and of these, 61% were outside Regina/Saskatoon.

Rural Business Establishments by Industry Category



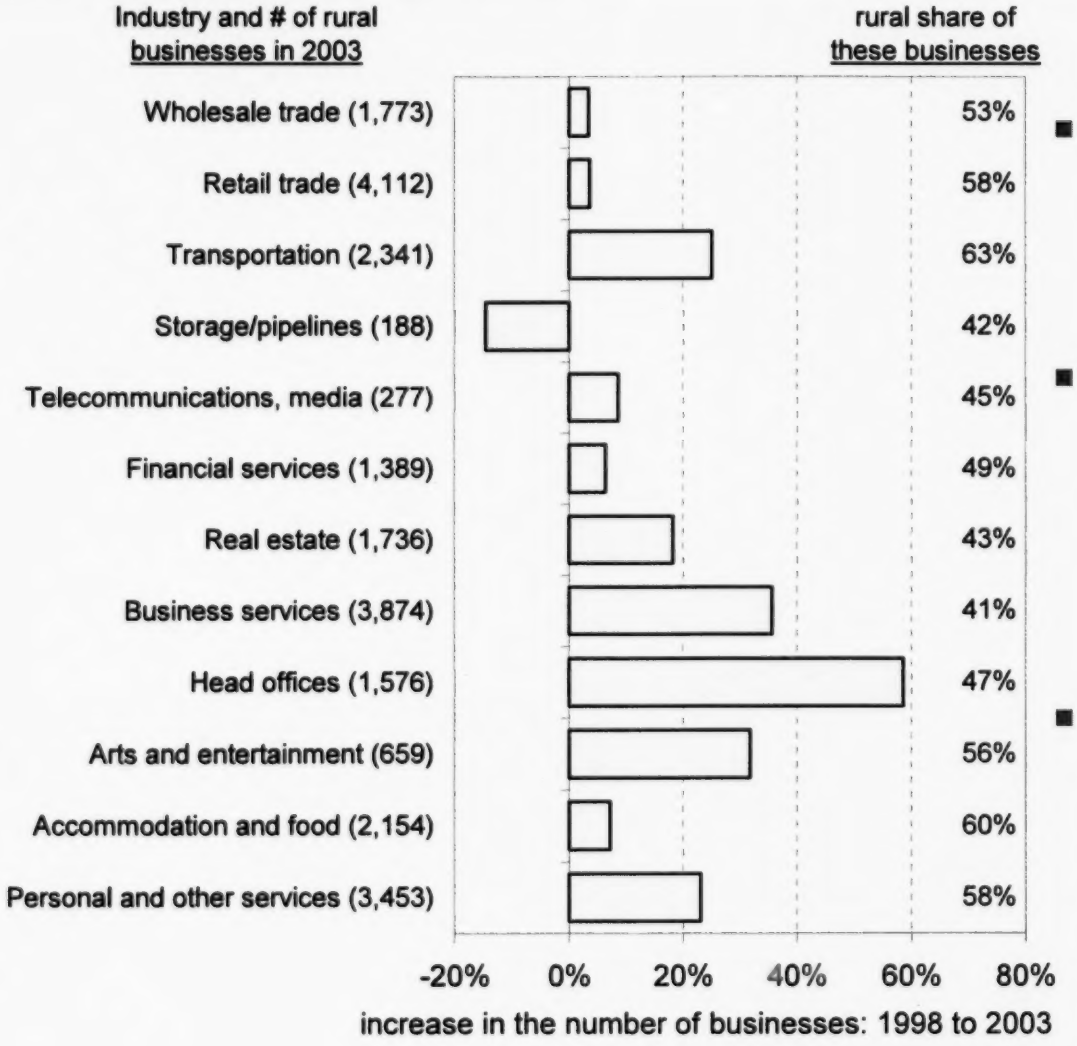
- About one half of the service producing business establishments are in rural Saskatchewan compared with 92% of agriculture and 58% of other goods producing establishments.
- There was an increase in the number of establishments in each industry group from 1998 to 2003.
- The largest increase was in private sector services.

Rural Goods Producing Business Establishments



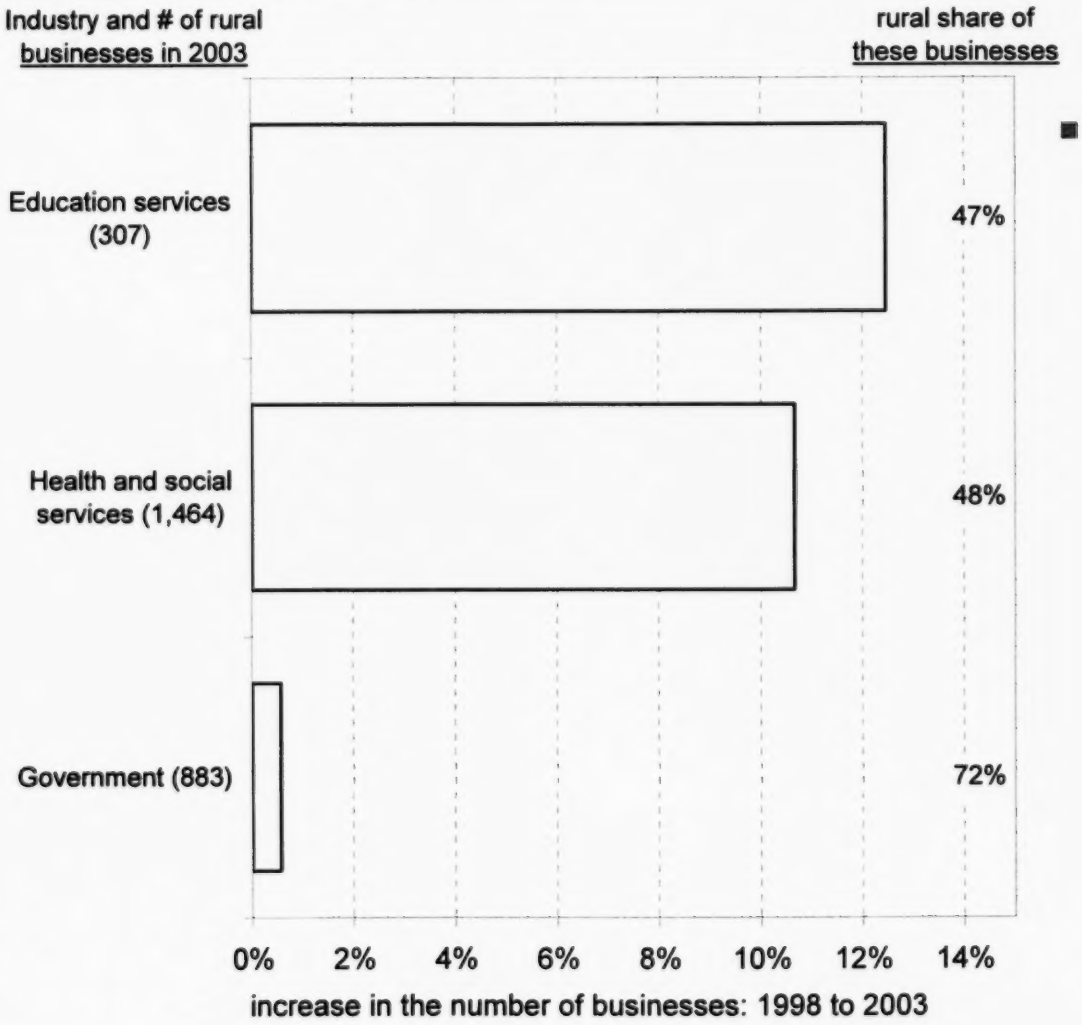
- The largest increase from 1998 to 2003 was among establishments in the resource sector.
- There has been an 8% decline (from 1,318 to 1,209) in the number of manufacturing/processing establishments over the past five years.

Rural Private Sector Service Business Establishments



- The largest increase from 1998 to 2003 was among rural establishments in "head office" category.
- There were also solid increases in personal services, transportation, business services, and arts/entertainment establishments.
- The only decline was in the small number of storage/ pipeline establishments, a category that includes grain terminals.

Rural Public Sector Service Business Establishments

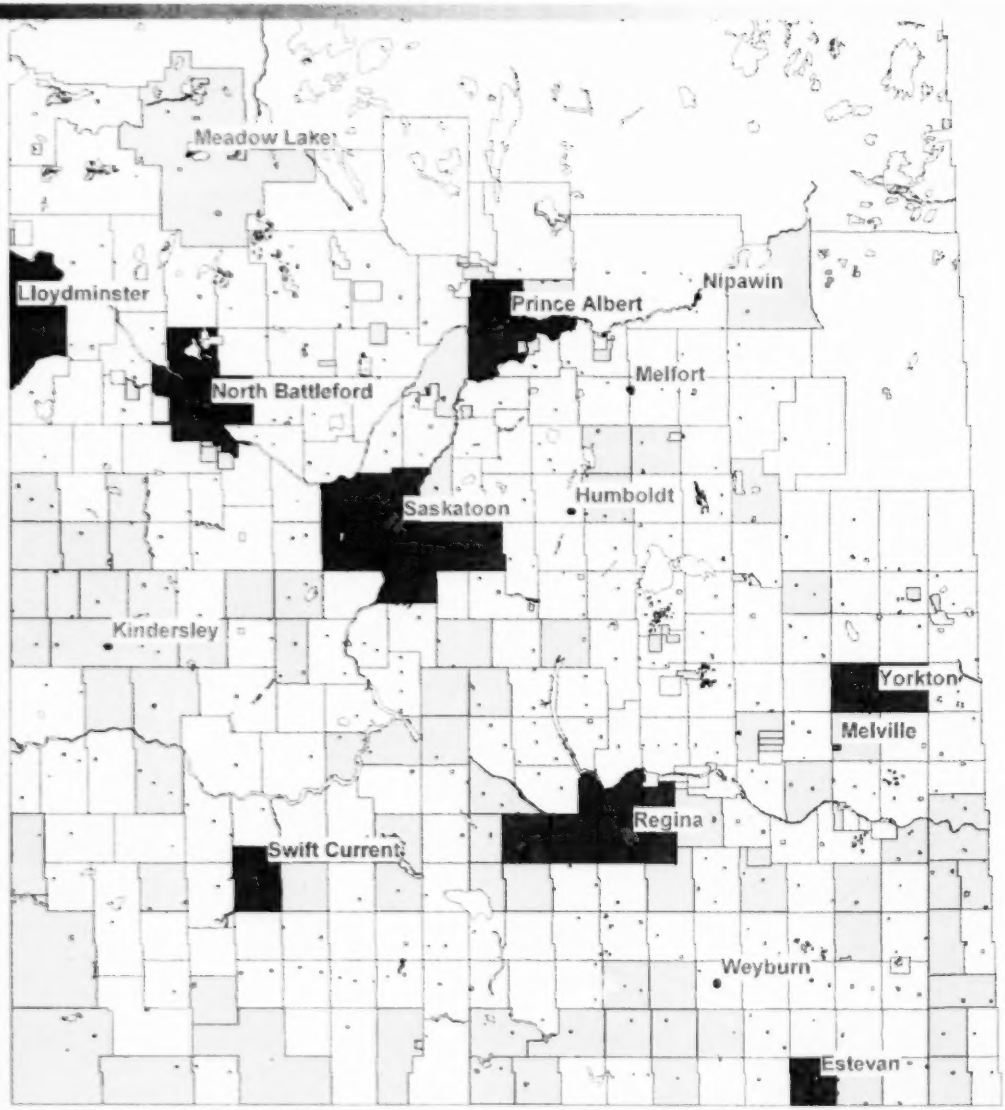


- There were increases in the number of each kind of public sector business with the smallest increase among the 883 government establishments.

Location of Rural Business Establishments

Note: In these data, the location was aggregate to the RM level. In other words, there is no distinction made between the businesses located in the town and those located in the rural area around them.

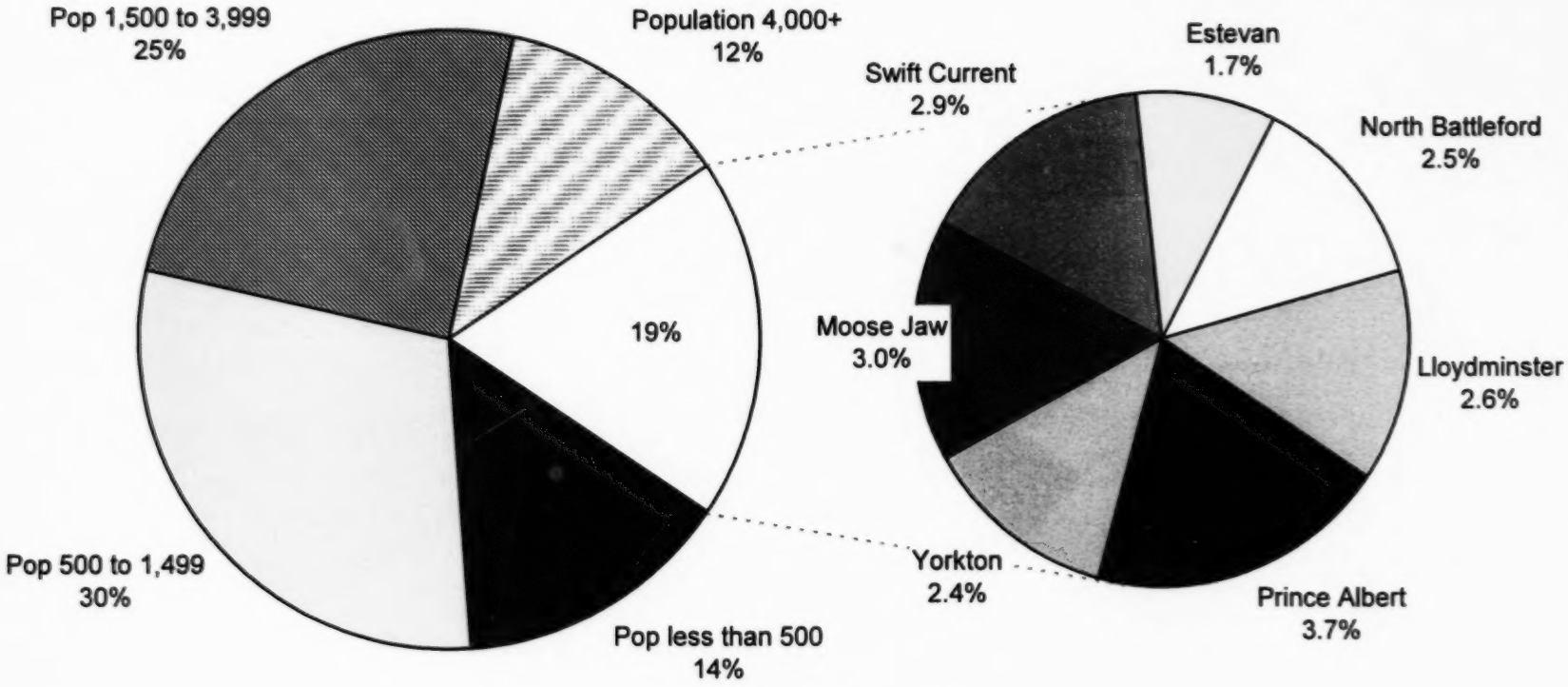
Urban Influence



- weak or no urban influence
- moderate urban influence
- strong urban influence
- major urban centre

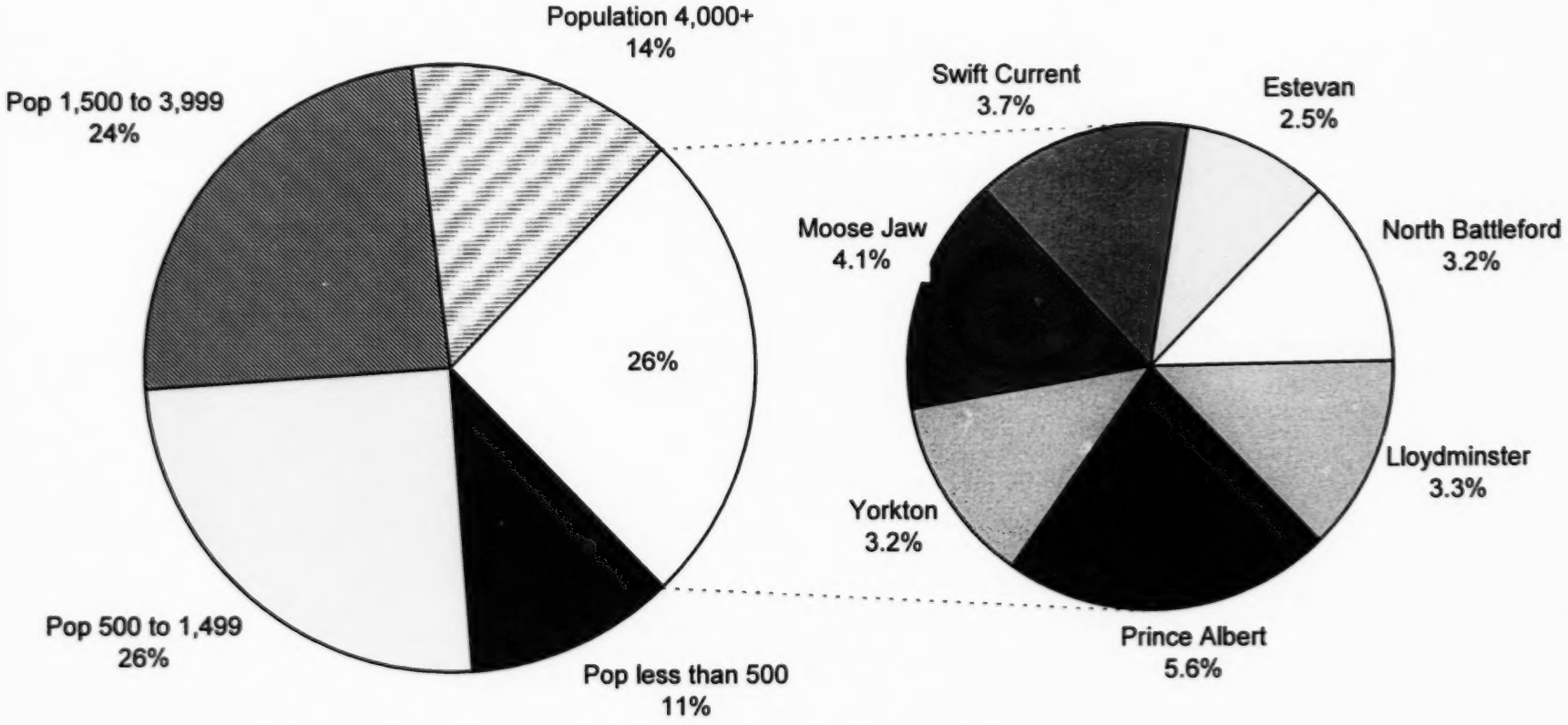
Location of Rural Business Establishments in 2003

Distribution of Business Establishments in Rural Saskatchewan, 2003
(n = 67,004)



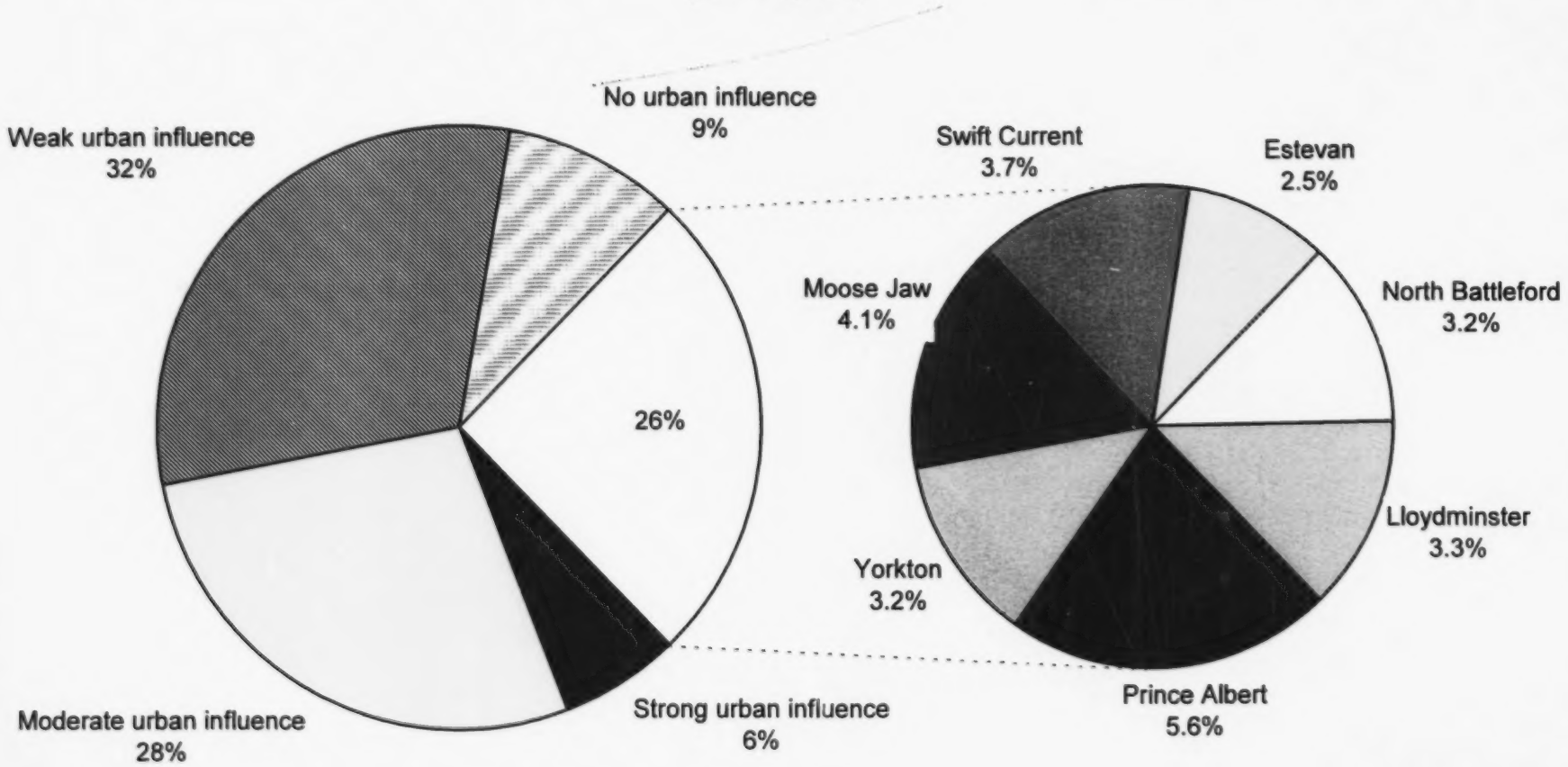
Location of Rural Employers in 2003

Distribution of Employers in Rural Saskatchewan, 2003
(n = 24,397)

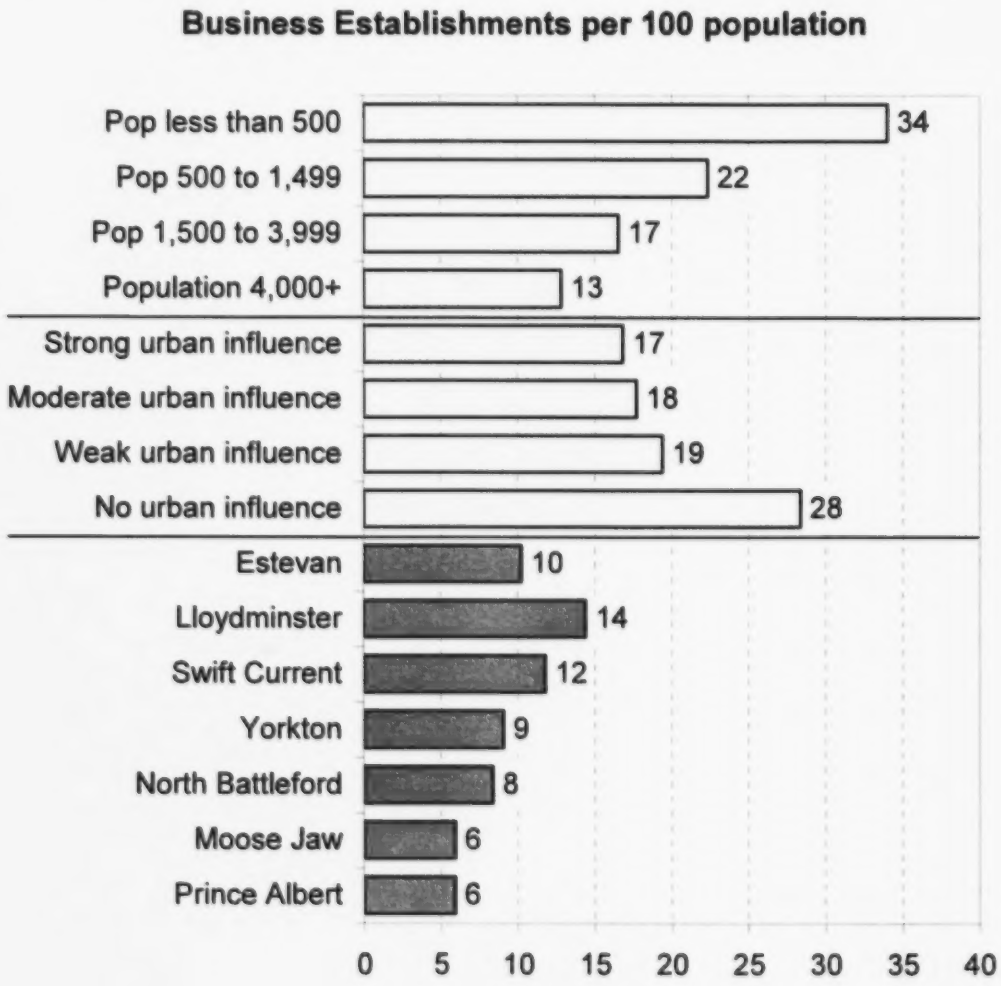


Location of Rural Employers in 2003

Distribution of Employers in Rural Saskatchewan, 2003
(n = 24,397)

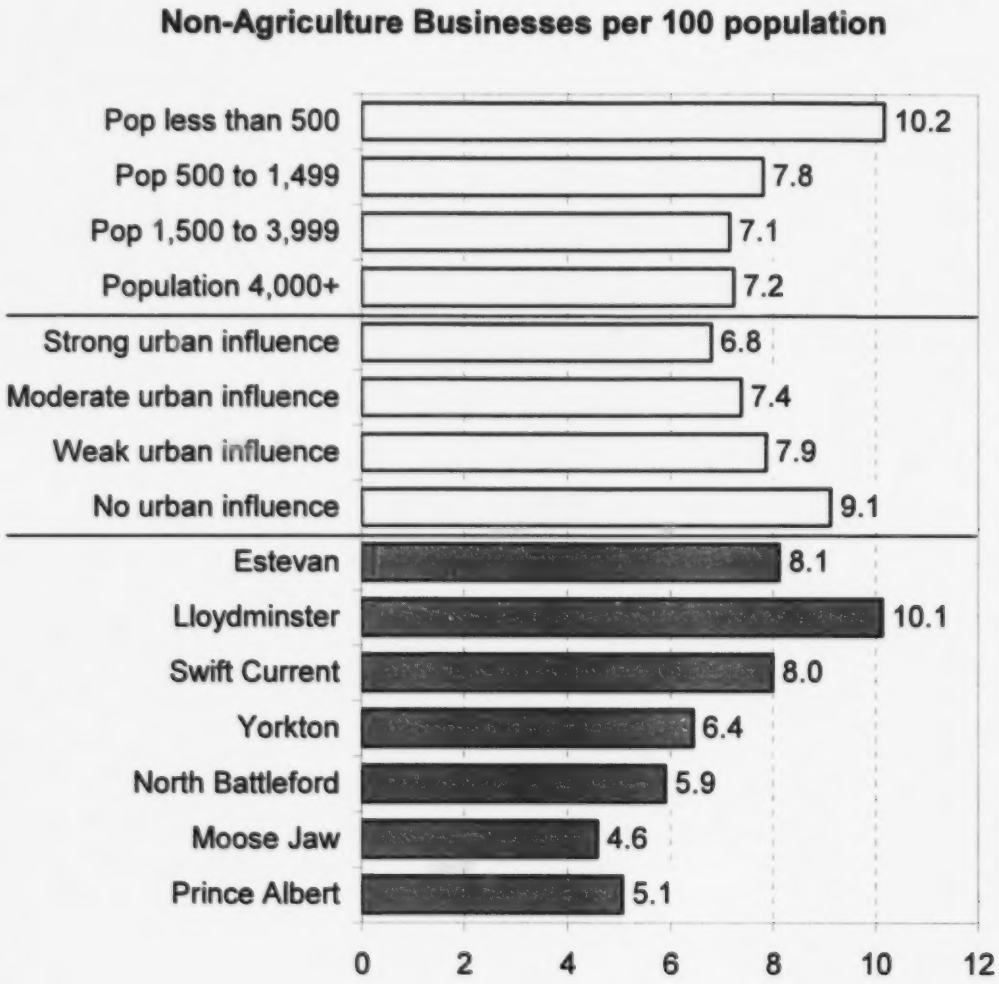


Location of Rural Business Establishments, 2003



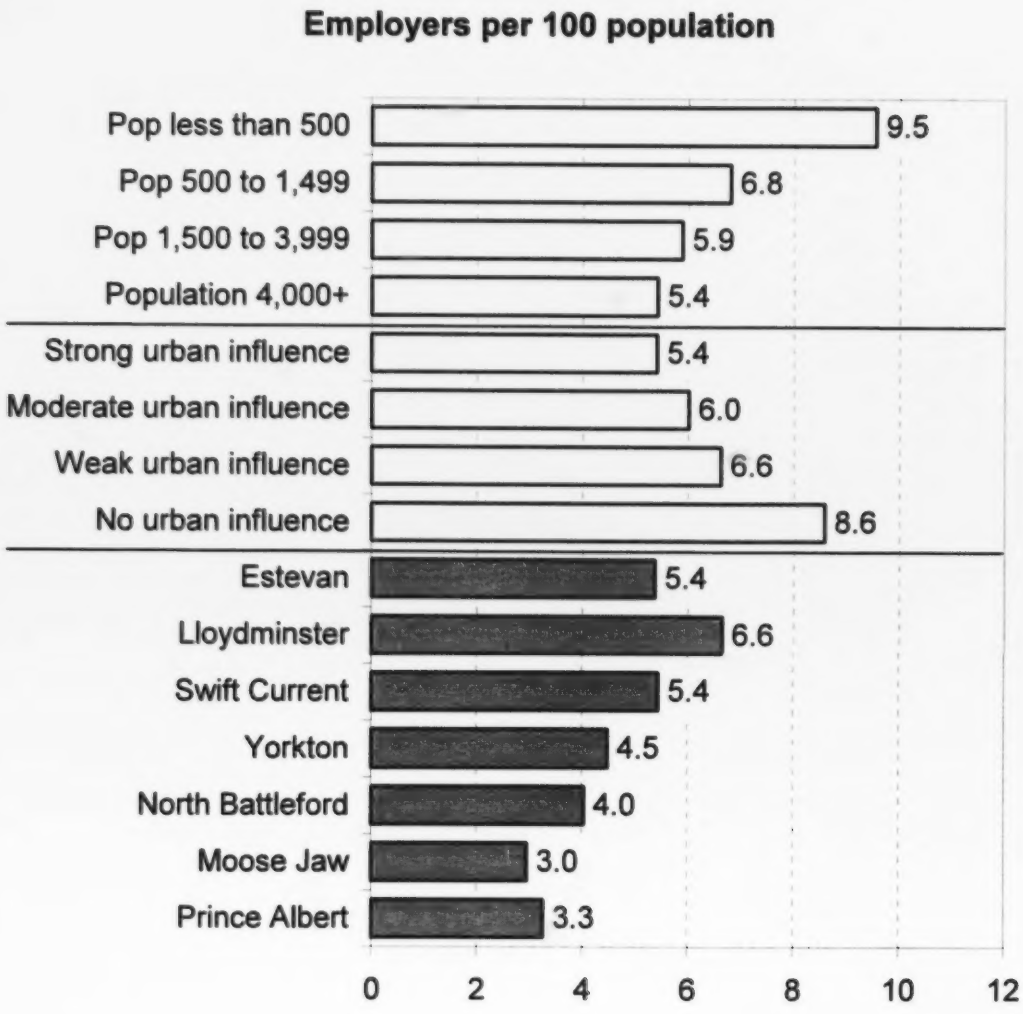
- Smaller communities generally have more business establishments and employers **per capita**.
- For example, the two largest cities (P.A. and M.J.) have the smallest number of businesses per capita.
- Lloydminster and Swift Current don't follow the pattern.

Location of Non-Agriculture Business Establishments, 2003



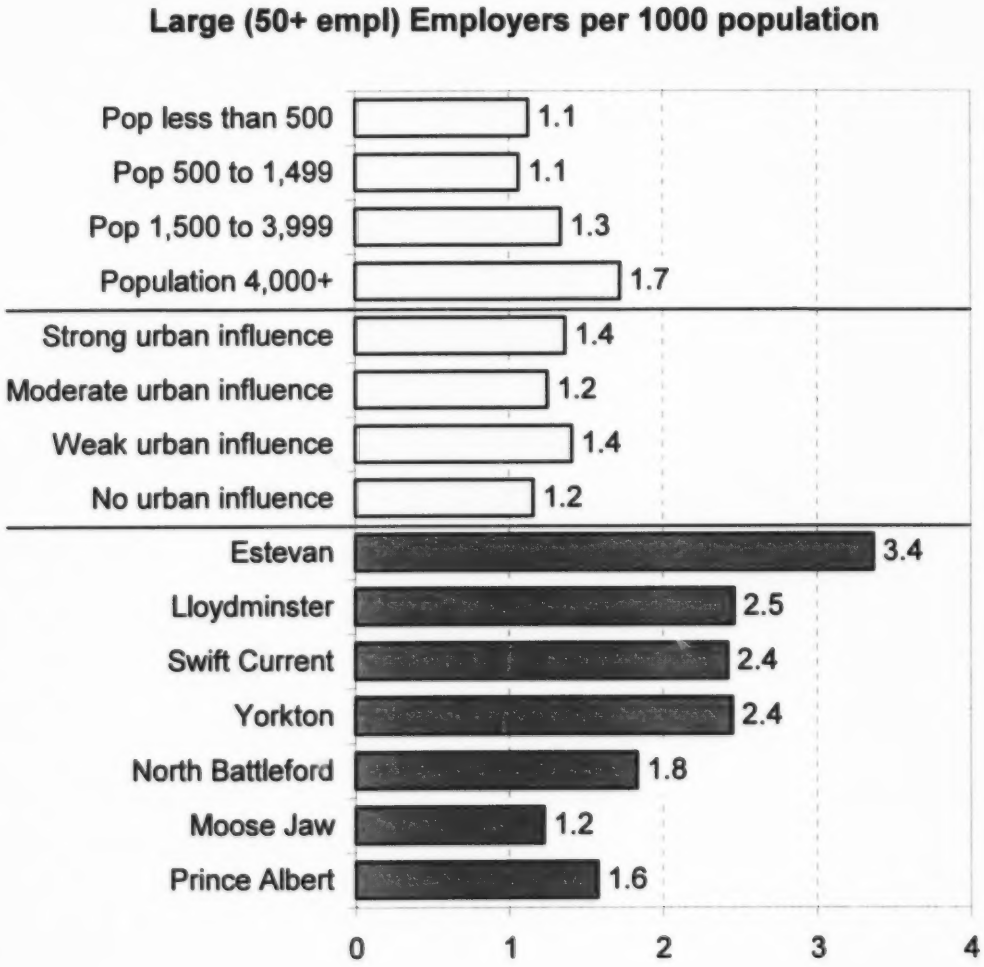
- The pattern is still there for non-agricultural businesses but is less pronounced.

Location of Rural Employers, 2003



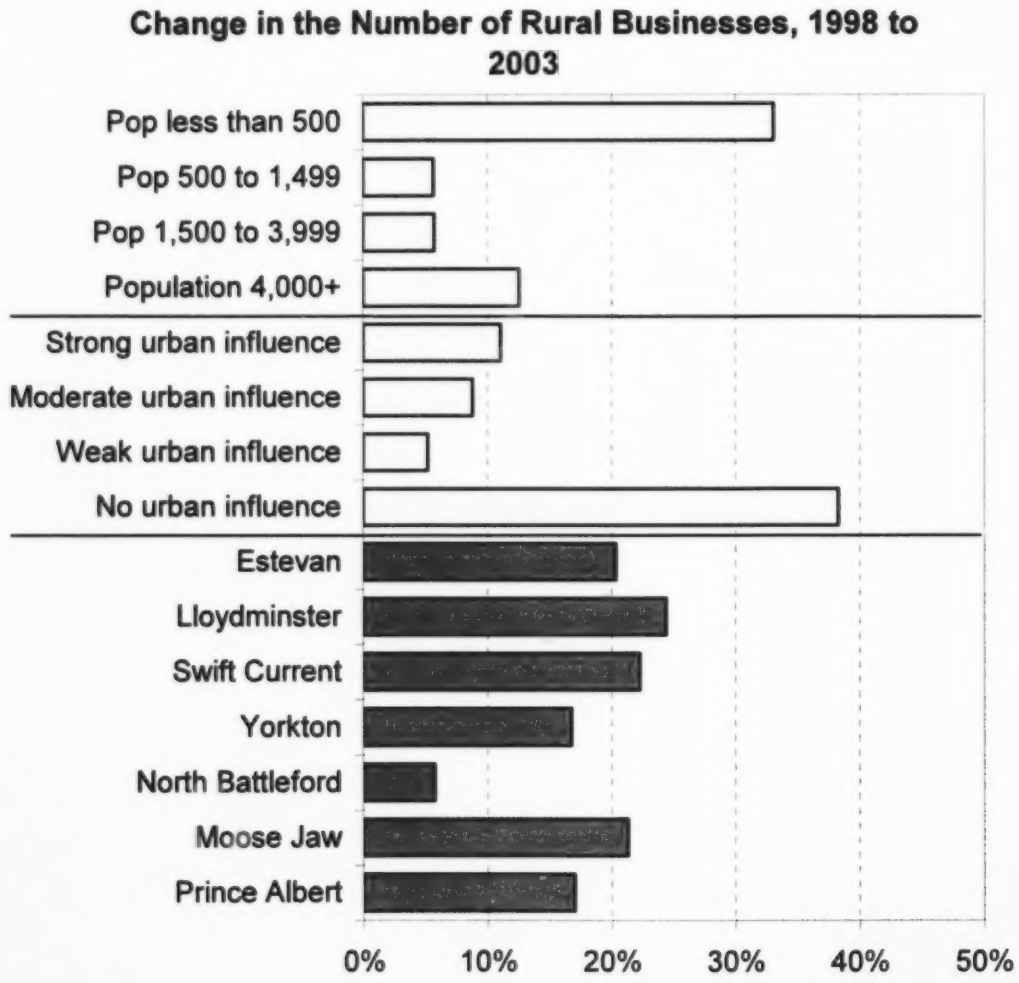
- Looking only at employers (agriculture and non-agriculture), the pattern reasserts itself.

Location of Large Rural Employers, 2003



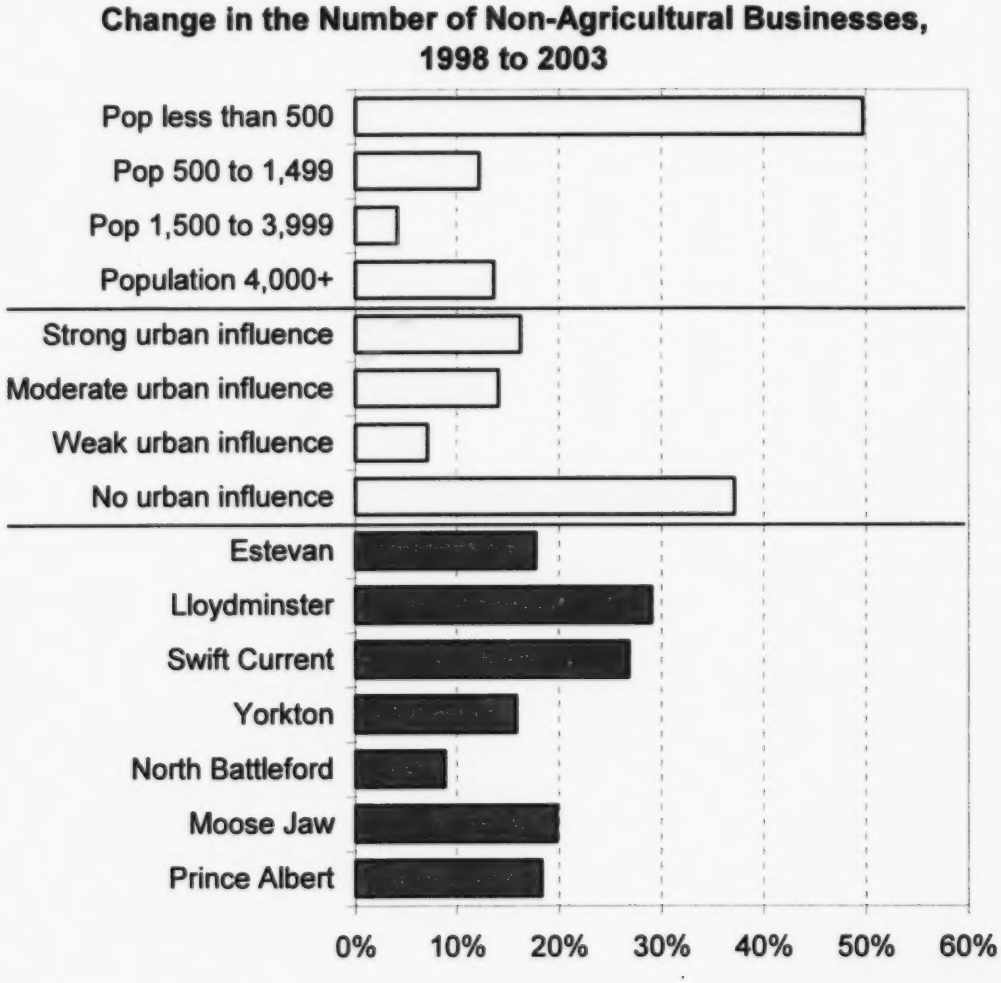
- In rural areas, large employers are more evenly distributed across population groups and urban influence areas.
- In urban areas, Moose Jaw is noticeable low.

Growth in Rural Businesses, 1998 to 2003



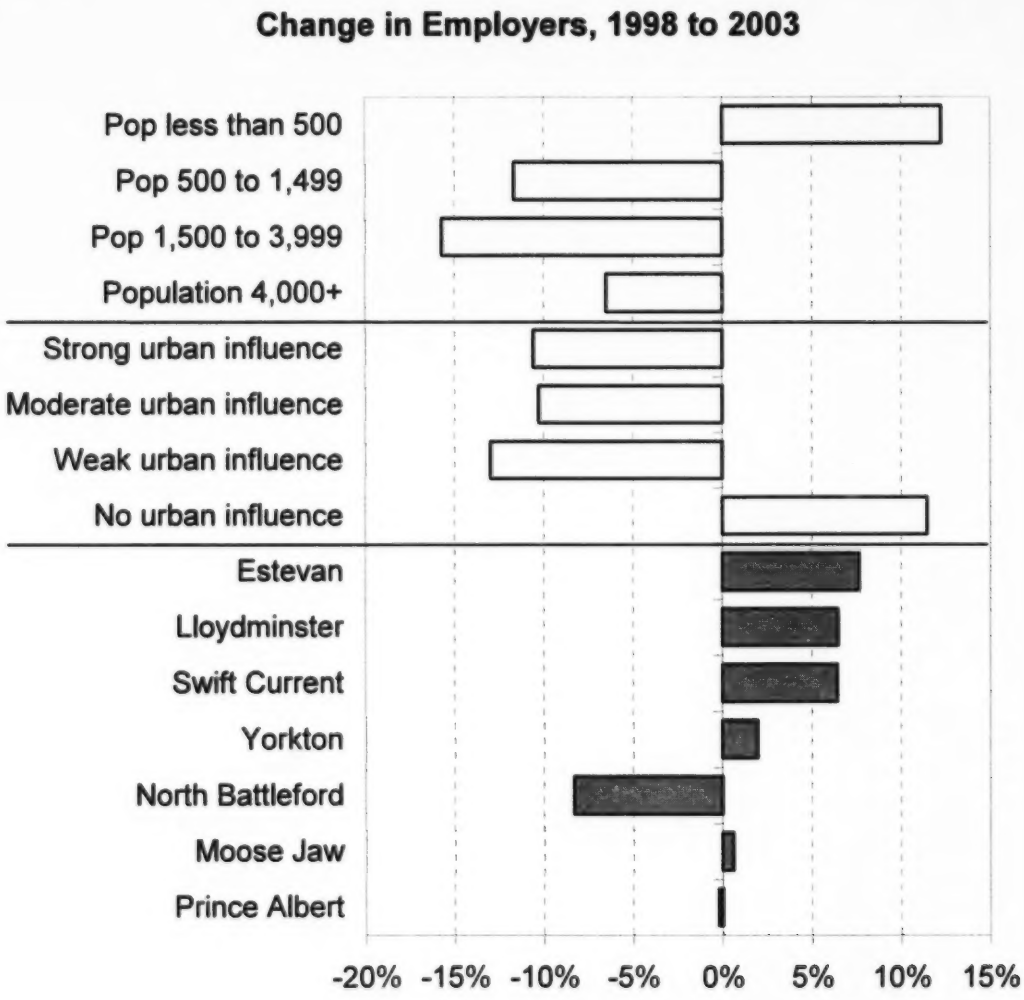
- The number of businesses in smaller communities is increasing more quickly than in larger communities.
- North Battleford has a relatively low growth rate.

Growth in Rural Non-Agricultural Businesses, 1998 to 2003



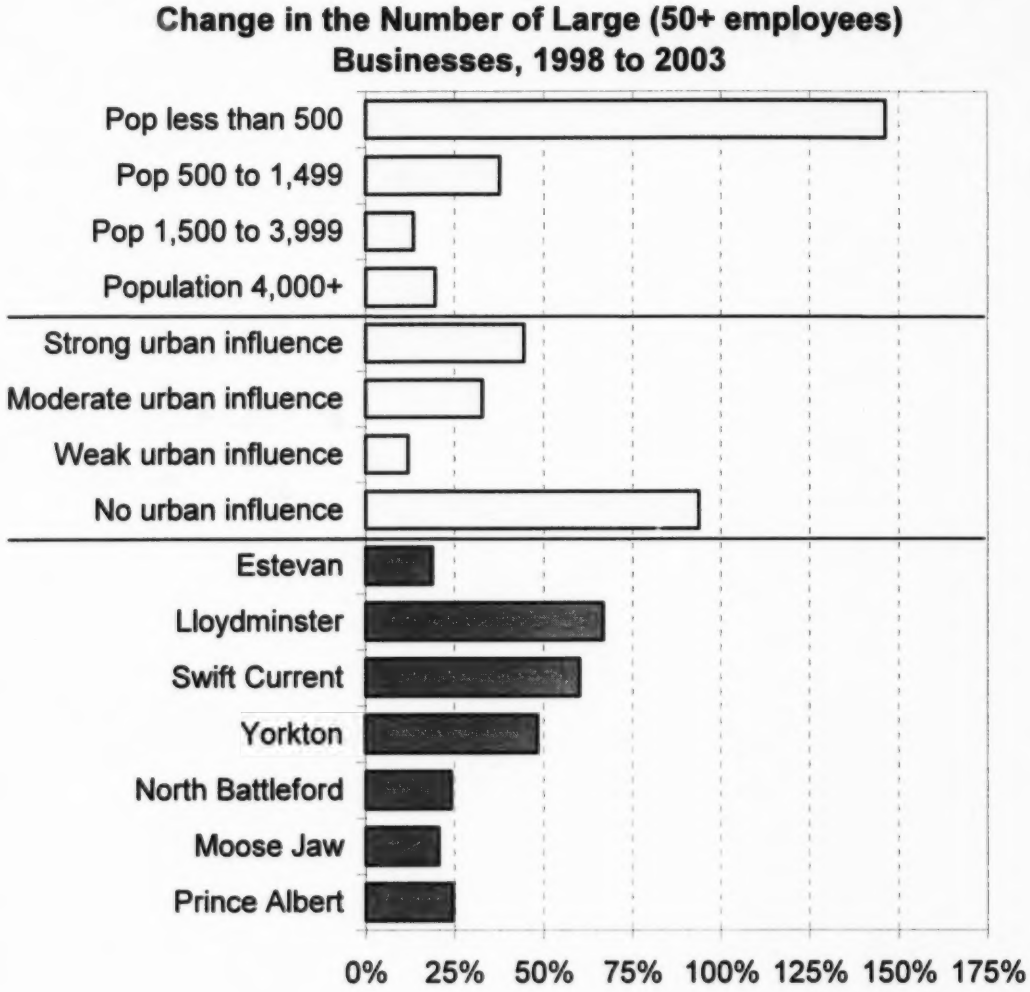
- The same pattern is generally evident if you restrict the businesses to non-agriculture.

Growth in Rural Employers, 1998 to 2003



- The same pattern is generally evident among employers where all but the smallest rural areas are losing employers.

Growth in Large Rural Employers, 1998 to 2003



- While the number of rural employers is declining in larger centres, the number of large employers is growing.
- Again, the growth is strongest among smaller communities. Note that the high percentage increase still represents relatively few employers.

Food/Feed Processing Sector

A case study

Definitions

- There were 483 business establishments and 238 employers (as of December 2003) in Saskatchewan classified as food processors. This category includes:
  - 49 establishments - Animal Food (Feed) Manufacturing
  - 25 establishments - Grain and Oilseed Milling
  - 6 establishments - Sugar and Confectionery Product Manufacturing
  - 8 establishments - Fruit and Vegetable and Specialty Food Manufacturing
  - 207 establishments - Dairy Product Manufacturing
  - 87 establishments - Meat Product Manufacturing
  - 8 establishments - Seafood Product Preparation and Packaging
  - 71 establishments - Bakeries and Tortilla Manufacturing
  - 22 establishments - Other Food Manufacturing

Employer Size and Location

	Saskatchewan		Rural Sask		
	Number	with 50+ employees	Number	with 50+ employees	
Animal Food Manufacturing	36	4	23	2	Arborfield and Tisdale
Grain and Oilseed Milling	20	5	8	2	Biggar and Nipawin
Sugar and Confectionery Products	2	0	0	0	
Fruit/Vegetable and Specialty Foods	5	0	3	0	
Dairy Product Manufacturing	48	2	43	1	Yorkton
Meat Product Manufacturing	59	8	44	5	N.B., M.J., Wynyard, Yorkton, Balidon RM
Seafood Products	5	0	4	0	
Bakeries and Tortilla Manufacturing	50	3	32	1	Preeceville
Other Food Manufacturing	13	1	4	0	
Total	238	23	161	11	

- Two thirds (161 of the 238) employers are in rural Saskatchewan, one half (11 of 23) of the large ones are.
- Not all of the larger employers are in urban centres.

Business Turnover Rates

Data Sources and Notes

- The Business Registry can be used to track the number of employers.
- Businesses can be tracked over time to see if they have closed or moved (what Stats Canada calls "no longer identified"), are new, or are growing or declining in terms of employment.
- This information is readily available for the province as a whole - a breakout of rural businesses might be expensive.
- In the samples that follow, the 1996 to 1997 period is examined. A longer time frame over a more recent time period would be desirable.

Example #1 - Machinery Manufacturers

	Machinery Manufacturers		
	Number	Employees	Payroll ($M)
Number in 1996	135	4,700	$146
Number in 1997	160	5,400	$171
Changes from 1996 to 1997			
No longer identified	19	100	$1
Newly identified	44	100	$3
Continuously identified	116	5,300	$168
Among the continously identified			
Growing			
Less than five employees	29	100	$4
5 to 19 employees	11	100	$4
20 or more employees	28	3,900	$121
All sizes	68	4,100	$129
Declining			
Less than five employees	11	...	...
5 to 19 employees	13	100	$4
20 or more employees	24	1,100	$35
All sizes	48	1,200	$39
Turnover			
Startup rate	28%		
Failure rate	14%		
Percent Growing			
Less than five employees	73%		
5 to 19 employees	46%		
20 or more employees	54%		
All sizes	59%		

- The number of machinery manufacturers increased from 1996 to 1997 - 28% of 1997 employers were new in 1997.
- More were growing than declining.

Example #2 - Restaurants and Bars

	Food and Beverage Services		
	Number	Employees	Payroll ($M)
Number in 1996	1,805	19,800	$205
Number in 1997	1,803	22,000	$218
Changes from 1996 to 1997			
No longer identified	387	1,000	$10
Newly identified	385	1,000	$10
Continuously identified	1,418	21,000	$207
Among the continously identified			
Growing			
Less than five employees	473	1,600	$16
5 to 19 employees	314	4,100	$41
20 or more employees	169	10,200	$99
All sizes	956	15,900	$156
Declining			
Less than five employees	244	300	$3
5 to 19 employees	129	900	$9
20 or more employees	89	3,900	$39
All sizes	462	5,100	$51
Turnover			
Startup rate	21%		
Failure rate	21%		
Percent Growing			
Less than five employees	66%		
5 to 19 employees	71%		
20 or more employees	66%		
All sizes	67%		

- This is sector with a very high level of volatility at the lower end.
- Although the number didn't change over the year, one in five were new in 1997.
- Two thirds of continuously employers were growing.

Example #3 - Food and Drug Stores

	Food and Drug Stores		
	Number	Employees	Payroll ($M)
Number in 1996	1,218	14,100	$236
Number in 1997	1,172	14,100	$243
Changes from 1996 to 1997			
No longer identified	180	300	$4
Newly identified	134	200	$4
Continuously identified	1,038	13,900	$240
Among the continously identified			
Growing			
Less than five employees	222	600	$11
5 to 19 employees	97	1,100	$17
20 or more employees	40	7,400	$131
All sizes	359	9,100	$159
Declining			
Less than five employees	320	600	$10
5 to 19 employees	278	2,100	$35
20 or more employees	81	2,000	$36
All sizes	679	4,700	$81
Turnover			
Startup rate	11%		
Failure rate	15%		
Percent Growing			
Less than five employees	41%		
5 to 19 employees	26%		
20 or more employees	33%		
All sizes	35%		

- This is sector which was consolidating in the mid 1990s.
- Larger establishments were becoming the norm so total employment was the same even as the number of employers was declining.
- Only one third of continuously identified employers were growing.